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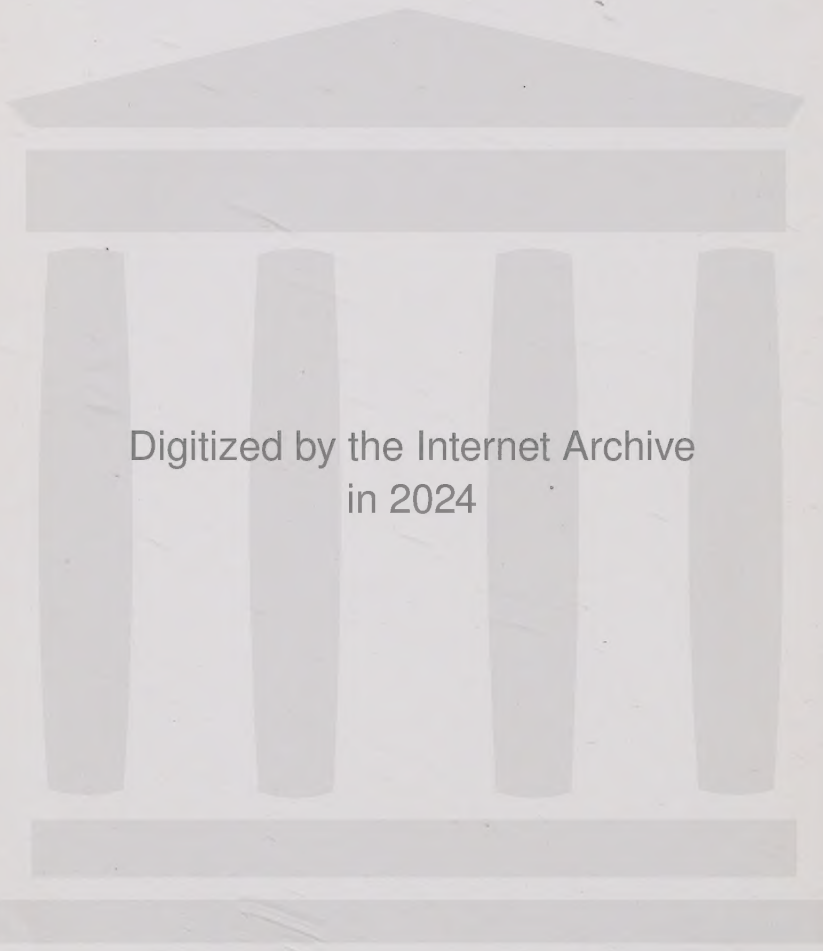
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Division of Economics and History

# ECONOMIC AND SOCIAL HISTORY OF THE WORLD WAR

*British Series*

JAMES T. SHOTWELL, PH.D., LL.D.

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# THE WAR AND THE SHIPPING INDUSTRY

BY

C. ERNEST FAYLE

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## EDITOR'S PREFACE

IN the autumn of 1914, when the scientific study of the effects of war upon modern life passed suddenly from theory to history, the Division of Economics and History of the Carnegie Endowment for International Peace proposed to adjust the programme of its researches to the new and altered problems which the war presented. The existing programme, which had been prepared as the result of a conference of economists held at Berne in 1911, and which dealt with the facts then at hand, had just begun to show the quality of its contributions ; but for many reasons it could no longer be followed out. A plan was therefore drawn up at the request of the Director of the Division, in which it was proposed, by means of an historical survey, to attempt to measure the economic cost of the war and the displacement which it was causing in the processes of civilization. Such an 'Economic and Social History of the World War', it was felt, if undertaken by men of judicial temper and adequate training, might ultimately, by reason of its scientific obligations to truth, furnish data for the forming of sound public opinion, and thus contribute fundamentally toward the aims of an institution dedicated to the cause of international peace.

The need for such an analysis, conceived and executed in the spirit of historical research, was increasingly obvious as the war developed, releasing complex forces of national life not only for the vast process of destruction but also for the stimulation of new capacities for production. This new economic activity, which under normal conditions of peace might have been a gain to society, and the surprising capacity exhibited by the belligerent nations for enduring long and increasing loss—often while presenting the outward semblance of new prosperity—made necessary a reconsideration of the whole field of war economics. A double

obligation was therefore placed upon the Division of Economics and History. It was obliged to concentrate its work upon the problem thus presented, and to study it as a whole; in other words, to apply to it the tests and disciplines of history. Just as the war itself was a single event, though penetrating by seemingly unconnected ways to the remotest parts of the world, so the analysis of it must be developed according to a plan at once all embracing and yet adjustable to the practical limits of the available data.

During the actual progress of the war, however, the execution of this plan for a scientific and objective study of war economics proved impossible in any large and authoritative way. Incidental studies and surveys of portions of the field could be made and were made under the direction of the Division, but it was impossible to undertake a general history for obvious reasons. In the first place, an authoritative statement of the resources of belligerents bore directly on the conduct of armies in the field. The result was to remove as far as possible from scrutiny those data of the economic life of the countries at war which would ordinarily, in time of peace, be readily available for investigation. In addition to this difficulty of consulting documents, collaborators competent to deal with them were for the most part called into national service in the belligerent countries and so were unavailable for research. The plan for a war history was therefore postponed until conditions should arise which would make possible not only access to essential documents but also the co-operation of economists, historians, and men of affairs in the nations chiefly concerned, whose joint work would not be misunderstood either in purpose or in content.

Upon the termination of the war the Endowment once more took up the original plan, and it was found with but slight modification to be applicable to the situation. Work was begun in the summer and autumn of 1919. In the first place a final conference of the Advisory Board of Economists of the Division of Economics



and History was held in Paris, which limited itself to planning a series of short preliminary surveys of special fields. Since, however, the purely preliminary character of such studies was further emphasized by the fact that they were directed more especially towards those problems which were then fronting Europe as questions of urgency, it was considered best not to treat them as part of the general survey but rather as of contemporary value in the period of war settlement. It was clear that not only could no general programme be laid down *a priori* by this conference as a whole, but that a new and more highly specialized research organization than that already existing would be needed to undertake the Economic and Social History of the War, one based more upon national grounds in the first instance, and less upon purely international co-operation. Until the facts of national history could be ascertained, it would be impossible to proceed with comparative analysis ; and the different national histories were themselves of almost baffling intricacy and variety. Consequently the former European Committee of Research was dissolved, and in its place it was decided to erect an Editorial Board in each of the larger countries and to nominate special editors in the smaller ones, who should concentrate, for the present at least, upon their own economic and social war history.

The nomination of these boards by the General Editor was the first step taken in every country where the work has begun. And if any justification was needed for the plan of the Endowment, it at once may be found in the lists of those, distinguished in scholarship or in public affairs, who have accepted the responsibility of editorship. This responsibility is by no means light, involving, as it does, the adaptation of the general editorial plan to the varying demands of national circumstances or methods of work ; and the measure of success attained is due to the generous and earnest co-operation of those in charge in each country.

Once the editorial organization was established there could be little doubt as to the first step which should be taken in each

instance toward the actual preparation of the history. Without documents there can be no history. The essential records of the war, local as well as central, have therefore to be preserved and to be made available for research in so far as is compatible with public interest. But this archival task is a very great one, belonging of right to the governments and other owners of historical sources and not to the historian or economist who proposes to use them. It is an obligation of ownership ; for all such documents are public trust. The collaborators on this section of the war history, therefore, working within their own field as researchers, could only survey the situation as they found it and report their findings in the form of guides or manuals ; and perhaps, by stimulating a comparison of methods, help to further the adoption of those found to be most practical. In every country, therefore, this was the point of departure for actual work ; although special monographs have not been written in every instance.

The first stage of the work upon the war history, dealing with little more than the externals of archives, seemed for a while to exhaust the possibilities of research. And had the plan of the history been limited to research based upon official documents, little more could have been done, for once documents have been labelled ' secret ' few government officials can be found with sufficient courage or initiative to break open the seal. Thus vast masses of source material essential for the historian were effectively placed beyond his reach, although much of it was quite harmless from any point of view. While war conditions thus continued to hamper research, and were likely to do so for many years to come, some alternative had to be found.

Fortunately such an alternative was at hand in the narrative, amply supported by documentary evidence, of those who had played some part in the conduct of affairs during the war, or who, as close observers in privileged positions, were able to record from first or at least second-hand knowledge the economic history of different phases of the great war, and of its effect upon society.



Thus a series of monographs was planned consisting for the most part of unofficial yet authoritative statements, descriptive or historical, which may best be described as about half-way between memoirs and blue-books. These monographs make up the main body of the work assigned so far. They are not limited to contemporary, war-time studies ; for the economic history of the war must deal with a longer period than that of the actual fighting. It must cover the years of ' deflation ' as well, at least sufficiently to secure some fairer measure of the economic displacement than is possible in purely contemporary judgements.

With this phase of the work, the editorial problems assumed a new aspect. The series of monographs had to be planned primarily with regard to the availability of contributors, rather than of source material as in the case of most histories ; for the contributors themselves controlled the sources. This in turn involved a new attitude towards those two ideals which historians have sought to emphasize, consistency and objectivity. In order to bring out the chief contribution of each writer it was impossible to keep within narrowly logical outlines ; facts would have to be repeated in different settings and seen from different angles, and sections included which do not lie within the strict limits of history ; and absolute objectivity could not be obtained in every part. Under the stress of controversy or apology, partial views would here and there find their expression. But these views are in some instances an intrinsic part of the history itself, contemporary measurements of facts as significant as the facts with which they deal. Moreover, the work as a whole is planned to furnish its own corrective ; and where it does not, others will.

In addition to this monographic treatment of source material, a number of studies by specialists is already in preparation, dealing with technical or limited subjects, historical or statistical. These monographs also partake to some extent of the nature of first-hand material, registering as they do the data of history close enough to the source to permit verification in ways impossible

later. But they also belong to that constructive process by which history passes from analysis to synthesis. The process is a long and difficult one, however, and work upon it has only just begun. To quote an apt characterization, in the first stages of a history like this one is only 'picking cotton'. The tangled threads of events have still to be woven into the pattern of history ; and for this creative and constructive work different plans and organizations may be needed.

In a work which is the product of so complex and varied co-operation as this, it is impossible to indicate in any but a most general way the apportionment of responsibility of editors and authors for the contents of the different monographs. For the plan of the History as a whole and its effective execution the General Editor is responsible ; but the arrangement of the detailed programmes of study has been largely the work of the different Editorial Boards and divisional Editors, who have also read the manuscripts prepared under their direction. The acceptance of a monograph in this series, however, does not commit the editors to the opinions or conclusions of the authors. Like other editors, they are asked to vouch for the scientific merit, the appropriateness and usefulness of the volumes admitted to the series ; but the authors are naturally free to make their individual contributions in their own way. In like manner the publication of the monographs does not commit the Endowment to agreement with any specific conclusions which may be expressed therein. The responsibility of the Endowment is to History itself—an obligation not to avoid but to secure and preserve variant narratives and points of view, in so far as they are essential for the understanding of the war as a whole.

J. T. S.

## AUTHOR'S PREFACE

THE object of this book is to give an account of the way in which the shipping industry of Great Britain was affected by the war and by those administrative developments which were the product of war conditions. It is concerned with the effect of the war on the financial position, character, and internal organization of the industry ; on the economic status of the merchant seaman ; on the relations between shipping and the State, and on the development of shipping policy. It records the response made by the industry to the demands of war, the restrictions placed upon its activities and earnings by successive measures of control, the obligations imposed on shipowners by those measures, and the manner in which they were discharged.

It is necessary thus closely to define the scope of the volume because two sections have already been devoted to trade and shipping in the *History of the Great War* prepared by direction of the Committee of Imperial Defence. Of those sections, 'The Merchant Navy,' by Mr. Archibald Hurd, is concerned with the operations of war, not with its economic effects. It describes the exploits and sufferings of merchant seamen in face of the enemy, whether on trading or fighting ships. 'Seaborne Trade', by the present writer, is concerned with the maintenance of supplies, and treats all matters relating to shipping and the control of shipping from that point of view, without regard to their effect on the shipping industry itself. Hence, while it has been impossible to avoid some little overlapping in matters of fact, the facts are here seen from an entirely different angle, and assume very different proportions.

In the present volume the record of administrative attempts to grapple with the tonnage problem has been rigidly confined to those measures by which the British shipping industry as such was directly affected. The story of the vast inter-allied organization



which grew up during the last year of the war has already been told by Sir Arthur Salter in another volume of this series.<sup>1</sup>

It may be asked what is the justification for treating at such length, and from so narrow a standpoint, the effect of the war on a single industry. The answer is that the reactions of the war on shipping were more direct, more extensive, more lasting, and possibly more significant than on any other branch of economic activity.

In the first place, shipping alone among the great British industries was constantly exposed, throughout the war, to direct hostile attack. Its participation in actual operations was the indispensable foundation of our military effort. Its more normal functions had always to be performed with an eye to strategic as well as commercial requirements.

In the second place, shipping is peculiarly a key industry, in the sense that its activities are inextricably linked with those of commerce and industry as a whole. Any serious shortage of carrying-power must affect automatically every industry dependent on imported materials or oversea markets. Conversely, any considerable fluctuations in the demand for the products of such industries will inevitably be reflected in the freight markets. The progress of the trade cycle as a whole from boom to slump and from slump to boom will find expression in the course of freights and the shipbuilding output. The curves, indeed, will not exactly synchronize, for the rise and fall of both freights and output tend to be more steeply graduated than those of the normal industrial fluctuations ; but in the long run the prosperity and activity of the shipping industry must always conform to that of the commerce from which it derives its remuneration and its *raison d'être*.

Finally, shipping is an international industry. Not only does every vessel engaged in foreign trade serve the importers and exporters of two countries at least ; a large part of the world's tonnage may be regarded as forming a mobile pool or reserve of

<sup>1</sup> *Allied Shipping Control*, 1921.

carrying-power, on which the merchants of every nation can draw according to their needs, and in this general carrying-trade British shipping has long played a predominant part.

For all these reasons—its place in the firing line, its key position, its international activities—shipping was peculiarly adapted to register the extent and intensity of the great upheaval. In the history of shipping, better perhaps than in that of any other industry, we may trace and measure the dislocation of the world's economic activities.

To do this fully, however, it is necessary to carry the narrative beyond the actual years of conflict. During the war, shipping, like many other industries, enjoyed a period of feverish prosperity. So large a proportion of the available tonnage was diverted to purely warlike purposes that the remainder was, almost from the first, inadequate to fulfilment of the diminished commercial demand, and this inadequacy became more and more evident as the destruction of shipping increased and the effective carrying-power of the surviving ships was reduced by war conditions.

This deterioration in carrying-power, so much less obvious than the destruction of tonnage or the demands of military transport, is one of the least appreciated factors of the war. An attempt has been made to show how, at every turn, the war interfered with the business of the shipowner and with the economical use of tonnage ; to show too how promptly and effectively British shipping, as a whole, adjusted itself to the new, difficult conditions.

The price of this dislocation had nevertheless to be paid. For the time being, the whole burden appeared to fall, in diminished supplies and increased cost of sea transport, on other industries and the consuming public. Freights and values soared to dizzy heights, and immense fortunes were realized by individual shipowners—especially by those who sold out at the top of the boom, sometimes to buy back their boats at the bottom of the slump.

It is shown, indeed, that the importance of the rise in freights, as a factor in the cost of living, has been grossly exaggerated, and

that the rise in freights itself was the natural result of war conditions, not of concerted manipulation. Nevertheless, the abnormal profits realized were both socially and economically demoralizing. It is suggested, however, that not the least evil of the boom was the consequent preoccupation with freights as such, which diverted attention from the root problem of deficient carrying-power, and led to attempts to get rid of the symptom without curing the disease.

It was the desire to restrict freights that led to the introduction of control ; but it was the acute shortage of carrying-power for essential imports, arising, in part at least, from remediable causes, that led to the drastic extension of control in 1917. The result of the measures then taken—closely linked as they were with commodity controls—lie in part outside the scope of this book. It is the province of the writer to describe their working as it affected British shipping, and to indicate, from this point of view, the achievements of the control, and the price that had to be paid for them.

Taking the industry as a whole, the appearance of prosperity was, even during the war boom, in large part delusive. The efficiency of the services was deteriorating under the stress of war. Goodwill and trade connexions were ruthlessly sacrificed, voluntarily or compulsorily, to the exigencies of the moment. Working expenses were trebled or quadrupled. Above all, the wastage of the fleets became ever more alarming, and since the cost of replacement continuously outstripped the increase in insurable values, an owner who desired to remain in business must needs set aside a large proportion of his trading profits for replacement purposes. With the intensification of control, shipowners' profits were drastically restricted and replacement by new construction was definitely prohibited. The greater part of the wastage of 1917-18 had to be made good, after the war, at a cost exceeding even war values.

For about a year after the armistice, war conditions were perpetuated by the demands of military repatriation and economic



reconstruction. During this period every maritime nation was making good its losses. British owners were striving to restore their shattered services. Shipbuilding abroad had been stimulated by the restrictions placed during the war on the transfer of British ships and on building to foreign orders. The great American Emergency Fleet, constructed in response to the agonized appeals of the Allies for assistance, was now ready to take its place as a competitor for the world's carrying-trade. By 1920 the shipping of the world stood somewhere about the figure at which it would probably have stood had no war taken place ; but with the satisfaction of the temporary and artificial demands arising from the war itself, the exhaustion and impoverishment of the belligerents and the long dislocation of the world's economic life began to be clearly reflected in the demand for tonnage. While running costs remained abnormally high, freights fell with unexampled velocity, and hundreds of thousands of tons of idle shipping bore witness to the stagnation of trade. In such circumstances it was impossible to earn a fair return on the capital represented by ships acquired at war values. New companies, formed during the boom, went down like ninepins, and many of the older concerns were only able to carry on by reason of the reserves accumulated during their brief period of abnormal prosperity.

For these violent fluctuations of boom and slump, with their undesirable concomitants of abnormal profits, feverish speculation, and crushing losses, the war was directly responsible. How far they were due to excessive rapacity or lack of judgement on the part of the shipowners ; how far they were mitigated or aggravated by the methods of control adopted ; how far they could have been averted by the earlier application of those methods, or by the adoption of alternative measures suggested by the shipowners themselves—all these are matters of acute controversy, on which this volume attempts to throw some light. It is, however, a grave misfortune that this controversy has been allowed, at times, to obscure the fundamental facts of the situation. It is vain to seek

either in the selfishness of shipowners or in the incompetence of officials for the primary cause of those evils which the war brought to the shipping industry itself, and, through shipping, to those wider interests which it exists to serve. Those evils sprang directly from the destruction and dislocation caused by the war, and no degree of foresight and public spirit on the part of the shipowners, or of administrative wisdom on the part of Controllers or Governments, could do more than mitigate the severity and adjust the incidence of the burden. It is right that the way in which both shipowners and Governments discharged the heavy responsibilities imposed upon them should be critically examined ; it is still more important to realize how heavy was the price that must inevitably be paid, even in this restricted field, for so violent a disturbance of the world's economic activities.

That price is still being paid. The effects of the war on shipping, as on other branches of industry and commerce, are still with us ; but the narrative has been carried down to a point at which shipping had been freed from the last of the administrative shackles imposed on it for war purposes, and at which the disastrous *post-bellum* slump had reached the low-water mark of depression. It has been extended to that point not only in order to give an accurate picture of the economic effects of the war on the industry, but because the history of *post-bellum* shipping policy is particularly pertinent to the purpose of this series.

The development of an exaggerated nationalism in economic affairs, the tendency to carry a war philosophy into the domain of commerce and to subordinate commercial considerations to military requirements, was a natural result of the long years of conflict. It was natural, too, that this tendency should be felt with special force in connexion with an industry which had played so prominent a part in the war itself. Yet, owing to the international ramifications of the shipping industry, there were few fields in which the workings of this spirit were so clearly calculated to impede the economic restoration of the world and provoke political friction.

It is a matter of first-rate importance to the future peace of the world that this danger was averted, and that the shipping industry itself has taken a prominent part in the development of that process of economic co-operation which has done so much to lay the foundation of a real society of nations. Without some reference to this question, no story of shipping during the war would be complete.

The author is under a deep obligation to many who have assisted him with material and information. He is particularly indebted to Sir Kenneth Anderson, Bart., K.C.M.G., and Sir Lionel Fletcher, C.B.E., for their unwearied kindness in supplying material and answering queries relating to the inception and working of the Liner Requisition Scheme, and to Sir Norman Hill, Bart., for advice and assistance throughout. He has also to thank Mr. M. W. Macrosty, C.B.E., for ready help in connexion with the requisition of insulated space. The Chamber of Shipping of the United Kingdom, the Liverpool Steam Ship Owners' Association, and the Manchester Association of Importers and Exporters have all been good enough to supply him with a complete file of their reports and to permit the fullest use of them, in addition to supplying information on special points. The proprietors and Editors of *Fairplay* have been equally generous in permitting unrestricted reproduction of the tables published in that journal, and in explaining questions arising thereon. Other obligations are acknowledged in the text and notes.

C. E. F.







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## CHAPTER I

### THE SHIPPING INDUSTRY IN 1914

IN the economic life of the United Kingdom the shipping industry occupies a position of unique importance. To its operations all other industries are indebted for their access to foreign markets, and most of them for the whole, or a large proportion, of their supply of raw materials; of the normal food supply, two-thirds is brought from overseas. On the labours of those who go down to the sea in ships, on the skill and enterprise with which those ships are managed, depends not only the wealth and prosperity, but the very existence of the British people.

To the discharge of these essential functions there was added, during the war, the transport of the armies and the supply of the fighting services. The whole war effort of Great Britain, a great part of the fighting strength of her Allies, depended, directly or indirectly, on the activities of the ships. Further, shipping alone among the great British industries was brought, as an industry, into the fighting line. Save for occasional air raids, the fields, factories, and workshops of the United Kingdom lay outside the war zone. The ships alone, and those who manned them, were exposed, in the pursuit of their ordinary avocations, to the imminent risk of capture or destruction.

It is not surprising, therefore, that the effects of the war on shipping were both great and lasting. To trace those effects and to show in what manner the industry responded to the demands upon it is the object of this book. It is impossible, however, to study intelligently the course of war developments without first forming a clear and accurate picture of the industry as it existed in July 1914. The materials for such a picture may be found elsewhere, but it will be convenient to summarize here its main outlines, dwelling particularly on points directly affecting or affected by war conditions.

In the first place, it is necessary to consider, very briefly, the extent and value of British shipping at the outbreak of war, the number of men to whom it gave employment, and its place among the mercantile fleets of the world. For this we may turn to the official statistics, which show that on 31st December 1913 nearly 40,000 vessels of all kinds flew the British flag; but these figures include some thousands of fishing boats, yachts, tugs, and river craft having no value for the purposes of foreign trade, and a better basis for comparison is afforded by the tables in *Lloyd's Register Book*, which include only vessels of 100 tons and upwards. Of such, there were on the Register of the United Kingdom in July 1914, 8,587 steamers, with an aggregate tonnage of 18,892,000 gross, or 41.6 per cent. of the entire steam shipping of the world. Including steamers registered in the Oversea Dominions and Colonies, the total was 10,123 ships, with a tonnage of 20,524,000, or 45.2 per cent. of the world total. There was also 365,000 net tons of sailing tonnage on British, and 157,000 on Colonial Register, but the annual carrying power of the sailing vessel was small in comparison with that of the steamer, and the sailing vessel had almost ceased to count as a factor in oversea trade.<sup>1</sup>

To man this great fleet there were employed, during 1913, in vessels on the Register of the United Kingdom alone, 292,000 men and boys. Of these, nearly 47,000 were Lascars employed in ships trading in or to Eastern waters, and over 32,000 were foreigners of various nationalities. The remainder, about 212,500,

<sup>1</sup> *Annual Statement of the Navigation of the United Kingdom*, 1913, Cd. 7616; *Lloyd's Register Book*, 1914-15; *Report of the Departmental Committee on Shipping and Ship-building after the War*, Cd. 9092, 1918. If United States shipping on the Great Lakes is excluded from the world total, the proportions are 43.8 per cent. for United Kingdom and 47.6 per cent. for Empire tonnage.

*Note on Tonnage.* It may be useful to define here the three terms commonly used in the measurement of merchant shipping. *Gross Tonnage* represents the total cubic contents of a vessel, calculated at 100 cubic feet to the ton, including all permanent deck structures. It is employed here as it is the most common form in general statistics, and all official figures of losses were given in gross tons. *Net Tonnage* represents the gross total, less crew, navigation, and engine space. It is the basis adopted for the payment of dues, for all figures of entrances and clearances, and for most official statistics. *Deadweight* represents the actual weight of cargo and bunkers a ship can carry without sinking below her marks. It is commonly used in fixing the remuneration of tramp steamers, but rarely occurs in official statistics, outside the United States.

A rough formula for conversion is 5 tons net = 8 tons gross = 12 tons deadweight; but though sufficiently accurate for general purposes, in dealing with large blocks of steam shipping, it is very unreliable in application to liner tonnage, especially as regards deadweight, and no formula can be given that will apply generally to individual ships. The gross and net tonnage of sailing vessels closely correspond.



were British. These figures, however, include the crews of the larger fishing craft, and the number actually employed in trading vessels was just over 256,000, of whom nearly 178,000 were British.<sup>1</sup>

The total amount of capital represented by the ships cannot be so precisely stated, but an estimate based on the published accounts of companies owning about one-third of the tonnage on the Register in 1912 gives the total book value of the ships as £164,500,000,<sup>2</sup> and this is closely confirmed by a comparison with other sources of information. Sir Norman Hill, the Secretary of the Liverpool Steam Ship Owners' Association, has estimated the value, in 1913, of all steamers on United Kingdom Register engaged in ocean trade (about 88 per cent. of the whole) at £134,700,000, and the actual insured value of all the steamers insured in the various War Risks Associations in December 1914 was £153,469,000. It may be safely assumed, therefore, that the total book value of the mercantile marine at the outbreak of war was in the neighbourhood of £160,000,000; but this does not, of course, represent the whole capital invested in the industry, as it makes no allowance for the large sums expended, particularly by the liner companies, in building up their offices, wharves, and organization.

Neither as a source of employment nor as a field for the investment of capital did shipping, on these figures, take a place among British industries corresponding to its importance in the national economy as a whole: but apart from the dependence of all other industries on shipping for their supplies of raw material and their access to foreign markets, there were three at least whose very existence was bound up with that of the Mercantile Marine. These three allied trades were Shipbuilding and Marine Engineering, Ports, Docks, and Harbours, and the business of Marine Insurance. Shipbuilding and Marine Engineering employed, in the United Kingdom, well over 200,000 workpeople, and the capital invested was approximately £35,000,000.<sup>3</sup> Port and Harbour Authorities represented a capital of approximately £150,000,000, and the total

<sup>1</sup> Cd. 7616, pp. 300-1. The figures exclude persons employed in yachts and vessels confined to river and inland navigation. The total number of persons regularly or occasionally employed in sea-fishing, all of whom may be considered as a reserve for the Mercantile Marine, was nearly 100,000 (Cd. 7616, p. 315).

<sup>2</sup> Adam W. Kirkaldy, *British Shipping: Its History, Organization, and Importance*, London and New York, 1914, p. 204.

<sup>3</sup> Cd. 9092, p. 21.

labour employed about the ports and docks by these authorities, shipowners, warehousemen, and others, was probably in the neighbourhood of 300,000. Marine Insurance employed some £60,000,000 of capital. Including these allied trades, the shore staffs of shipping firms and the capital and labour absorbed by ship brokers and shipping agents, and by industries connected with shipbuilding, it has been estimated that the total number of persons directly or indirectly dependent on the sea for their livelihood was over 800,000, and the capital invested not far short of £1,000,000,000.<sup>1</sup>

It is not, however, by these figures that the real importance of British shipping can best be measured, but by the work which it performed. Its value as a direct source of employment for labour and capital was a small thing, even financially, compared with the benefits derived by the British people from the services of the ships in maintaining the broad stream of British commerce and in building up, in every sea, the international trade of the world.

These last words are used with intention, for though the primary function of the mercantile marine was, of course, the supply of British needs and the distribution of British products, only about 60 per cent. in value of the cargoes carried by British ships, other than coasters, were loaded or discharged in the United Kingdom.<sup>2</sup> It is true that about 40 per cent. of the world's sea-borne trade had the United Kingdom for its origin or its destination,<sup>3</sup> and that this proportion fell little short of the proportion of British to world tonnage. Such trade, however, was not exclusively British traffic; it belonged equally to the country from or to which the cargoes were carried. The point should be self-evident; but it is so often tacitly ignored in the discussion of shipping problems, that it is worth while to emphasize it. Even under the restrictive system of the old Navigation Acts it was impossible to prevent foreigners from sending their products to Great Britain in their own ships, or from carrying away their purchases in whatever ships they chose, and from the middle of the nineteenth century British policy had frankly recognized that the ships existed to serve commerce, not commerce the ships, and had permitted to

<sup>1</sup> Edgar Crammond, *The British Shipping Industry*, London, 1917, p. 37.

<sup>2</sup> Calculated from Cd. 9092, p. 145. Compare *Report of the Joint Committee of the Chamber of Shipping of the United Kingdom and the Liverpool Steam Ship Owners' Association*, July 1917, at pp. 14-15.

<sup>3</sup> Cd. 9092, p. 73.

both British and foreign shippers a free choice of the most convenient vessels irrespective of flag.

Even so, British shipping carried about 74 per cent. in value of the imports and 75 per cent. in value of the exports of the United Kingdom, in addition to about 99 per cent. of the coasting traffic of the United Kingdom itself.<sup>1</sup> This, however, was not sufficient to provide employment for more than about 60 per cent. of the sea-going tonnage, and it is of the first importance to understand clearly the reason for the existence of so much surplus shipping and the nature of its employment.

In the first place, the fulfilment of British demands for the great seasonal products, such as grain and cotton, required the provision of a much larger body of shipping than could be permanently employed in trade with the United Kingdom, and it was the ability of shipowners to find alternative employment for their vessels in trade between foreign ports that enabled them to keep in commission the floating reserve of tonnage from which such seasonal demands were met. Secondly, the volume of the export and import traffic with particular countries was by no means evenly balanced, and but for the cross-voyages performed in trade between foreign ports, a much larger proportion of ships must have gone out or come home in ballast. Finally, there were many countries of considerable importance in international trade whose shipping and shipbuilding resources were comparatively small and whose trade could be developed only by a large use of British or other non-national tonnage.

From the national point of view the share of British shipping in the inter-foreign trade was thus as important as it was to the shipowners themselves. It provided a reserve of tonnage for all emergencies whether of peace or war. It reduced the cost of imports by eliminating ballast voyages, the cost of which must otherwise have swelled the inward freights. It contributed largely to the economic development of the world and thus to the creation of new sources of supply, new markets for British manufactures, and new fields for the investment of British capital. It swelled the freight earnings which formed a most important item in the adjustment of the trade balance.

<sup>1</sup> Cd. 9092, pp. 142-6, 128.



According to the official returns, the value, including freight and insurance, of imports into the United Kingdom exceeded by some £140,000,000 a year the f. o. b. value of British and foreign produce shipped in return. Of this difference the greater part was made up by the earnings of British shipping. Were it possible to obtain the exact figures, freights on imports in British bottoms would properly be shown as a deduction from the import values, while freights on exports, or on goods carried between foreign ports, were true 'invisible exports'—services for which payment was ultimately received in the form of goods. Exact figures cannot be obtained; but for the ten years ending 1911, the total freight earnings of British shipping have been estimated at an average of just under £100,000,000 a year, and in the boom years 1912 and 1913 they may have risen to £130,000,000 or even £150,000,000.<sup>1</sup> Further, the position of London as a shipping and financial centre and the wonderful organization of shipping intelligence built up by the Corporation of Lloyd's led to the insurance of a large proportion of foreign ships and cargoes on the London market, and it has been estimated by an American economist that London controlled, directly or indirectly, three-quarters of the entire marine insurance of the world.<sup>2</sup> The profits of this business and the commissions derived from financial and brokerage services directly dependent on the world-wide character of British shipping formed other important items in the trade balance sheet.

Whatever the exact figures, it is certain that a considerable proportion of the imports received by the United Kingdom were paid for by the services of British shipping to the world at large. Those services were indeed great; for not only did British ships carry 71 per cent. of the total seaborne trade of the Empire, internal or with foreign countries, they carried 30 per cent. of the trade between countries lying wholly outside its scope. In all they carried about 52 per cent. in value and 50 per cent. in volume of the entire seaborne trade of the world.<sup>3</sup>

<sup>1</sup> J. A. Todd, *The Mechanism of Exchange*, London, 1917, pp. 173–85; Liverpool Steam Ship Owners' Association, Secretary's Report on *The Shipping of the United Kingdom*, October 1915.

<sup>2</sup> Quoted by Sir Douglas Owen, *Ocean Trade and Shipping*, Cambridge, 1914, p. 120.

<sup>3</sup> Cd. 9092, pp. 73–4, 145. It is impossible to distinguish trade carried by vessels on Colonial Register; but these vessels amounted to no more than 7 per cent. of the steam tonnage under the British flag.

It is thus essential to any understanding of the effects of the war on the shipping industry to remember that British shipping was, above all things, world-wide in its activities. With the exception of certain sections of the Pacific, there was hardly an ocean track on which British ships did not habitually ply. The volume of tonnage on each route varied, of course, with seasonal requirements; but the following table, based on a return of all ships actually employed on 3rd April 1911, will give some idea of the normal distribution.<sup>1</sup>

Trading from or to	Number of s.s.	1,000 tons net	Percentage of total in foreign trade		Average size of s.s. net tons
			Numbers	Tonnage	
Europe (Home Trade limits, Brest to the Elbe) . . . . .	459	228	} 17.1	{ 4.7	500
Baltic . . . . .	113	91			800
France, Spain, and Portugal . . . . .	136	100			730
Mediterranean . . . . .	717	1,192	} 17.3	{ 13.4	1,660
West Coast of Africa . . . . .	114	174			1,520
Cape of Good Hope . . . . .	32	117			3,670
British North America (E. Coast) . . . . .	43	141	} 11.8	{ 16.2	3,290
United States (E. Coast and W. Indies) . . . . .	447	1,302			2,910
South America (E. Coast) . . . . .	648	1,492			2,300
Pacific, North . . . . .	85	263	} 4.8	{ 6.4	3,090
Pacific, South . . . . .	115	304			2,640
East Indies . . . . .	641	1,668			2,600
China and Japan . . . . .	332	875	} 23.5	{ 28.6	2,580
Australasia . . . . .	266	943			3,520
Total Foreign Trade . . . . .	4,148	8,890	100.0	100.0	2,140
Coasting U.K. . . . .	1,565	296	—	—	189
Grand Total . . . . .	5,713	9,186	—	—	—

It will be observed that the average size of the steamers engaged in foreign trade worked out at 2,140 tons net, and for practical purposes all ships under 1,000 tons net may be neglected in any

<sup>1</sup> This table is based on *Tables showing the Progress of Merchant Shipping*, Cd. 7033, 1913, p. 93, and Cd. 9092, p. 80. For fuller discussion of Trade Routes and the volume of shipping thereon, consult Sir Douglas Owen, *op. cit.*; A. W. Kirkaldy, *op. cit.*; A. J. Sargent, *Seaways of the Empire*, London, 1918; Clement Jones, *British Merchant Shipping*, London, 1922; B. Olney Hough, *Ocean Traffic and Trade*, London and Chicago, 1914; C. Ernest Fayle, *Seaborne Trade*, vol. i, London and New York, 1920.

consideration of ocean traffic. This is a point of extreme importance in the consideration of war problems, for in July 1914 there were only 3,888 such ships on the Register of the United Kingdom, and about 350 owned in the Dominions and Colonies, including Canadian steamers on the Great Lakes and other vessels confined to local traffic. Thus the effective carrying power of British tonnage in the ocean trades was represented, not by the 18,600 steamers that flew the British flag, nor even by the 10,000 odd that appeared in Lloyd's Register Book, but by a little over 4,000. This was the full extent of the pool on which Great Britain could draw for all purposes of war or trade, either for herself or her Allies. Had this fact been earlier, more widely, and more fully appreciated, it might have discouraged both prodigality in the employment of shipping and indifference with regard to losses.

The pool was, in fact, even more restricted than these figures suggest; for the size and build of the ships were regulated by their employment, and they were only to a limited extent interchangeable. The oil-tanker, for instance, was useless for any other purpose than the carriage of oil in bulk, and no ships unprovided with insulated space could engage in the carriage of frozen meat. The employment of the majority of the ships was less rigidly defined by their construction, but the manner of their operation divided them into two great classes, of which a word must be said since it had a profound effect, during the war, on the employment of the ships, the method of control, and the influence of war conditions.

This broad distinction is that between the 'liner' and the 'general trader' or 'tramp'—a distinction far more important, for general purposes, than that between 'passenger' and 'cargo' vessels, for the number of ocean-going steamers constructed solely for passenger traffic was very small. Owing mainly to the size, speed, and luxury of those engaged in the Atlantic trade, such vessels attracted a disproportionate amount of public attention, but even in the North Atlantic they formed an insignificant percentage of the whole volume of shipping. The great majority of the ships constructed for the passenger traffic carried also large cargoes, and many steamers holding a passenger certificate depended for their earning powers almost entirely on their cargo capacity.



It is true that about half the liners held a passenger certificate, and to most of the leading lines, especially in the Atlantic, the passenger traffic was an important source of income; but the essential mark of the liner, whether she carried passengers, or passengers and cargo, or cargo only, was that she sailed at regular intervals, and on fixed dates, between the same ports, and that any intermediate stoppages were also fixed by a published timetable. For the tramp or general trader, on the other hand, each single voyage was a separate venture. With no fixed route and no scheduled sailing date, she was ready to go to any port, lift whatever cargo might be on offer, and carry it to any destination.

This distinction had a very marked effect both on the cargoes carried by the two classes and on the methods of ownership and working. The liner, as the one regular means of communication between port and port, was the natural recipient of all consignments too small to warrant the chartering of a special vessel, especially goods of high value in relation to bulk, and thus able to bear an additional charge for delivery at an early and definite date. The cargo of a single liner would often comprise several hundred 'parcels' received from many different shippers for delivery to many different consignees, and at every port at which she touched she might discharge a part of her freight and pick up consignments of local produce.

All this involved the possession of an extensive organization. In attaining regularity of sailings, especially when large mixed cargoes were carried, the work done in the office and at the docks, the arrangements for berthing, loading, and discharge, were as important as the actual running of the ships. Thus, in addition to offices at the home ports, the liner companies had built up branches and agencies at the terminal ports abroad, at all ports of call, and at the principal business centres, where passengers or cargo could be booked. The cost of this permanent organization was heavy, and liner tonnage, intended for the carriage of passengers and fine goods, was costly to build. Hence the typical liner company was a large concern with a big subscribed capital and heavy overhead charges, and its management called for a high degree of administrative and financial ability.

Further, since the services and organization must both be

maintained continuously, in good times and bad, under penalty of losing the goodwill on which the lines depended, steady and regular trade was essential to their prosperity, and the liner companies were correspondingly sensitive to any competition which threatened to cut into their connexions. In the effort to avoid such competition, there had set in, during recent years, a strong tendency towards both amalgamation and association. It was no uncommon thing for a smaller line to be absorbed by a larger, or for one company to hold a controlling interest in several lines that still ran nominally independent services. About one-fifth of the tonnage under the British flag was owned, at the outbreak of war, by twenty-four liner companies,<sup>1</sup> and many of these companies were closely associated. Indeed, one great group, the Elder-Dempster-Royal Mail combination, controlled nearly one and a half million gross tons.<sup>2</sup> Moreover, nearly all the liner companies were members, sometimes in conjunction with foreign lines, of 'Conferences' formed for the regulation of freights and demarcation of interests in various trades. Any comment on the effect of the Conference system may, however, be reserved until we come to consider its working during the war.

Very different was the position of the tramp owner. To begin with, his ship was comparatively cheap, being generally more simply constructed than the cargo liner, with a speed of eight to ten knots against the liner's twelve knots and upwards. In her working, no costly organization was required. Her owner might place her on the berth for a particular port; that is to say, he would advertise her as sailing for that port on a certain date, and open to receive cargo of any description from shippers or their agents. More frequently, he would simply enter into a contract to carry a specified cargo from one port to another, or charter his ship for the voyage, or for a definite period, to a third party, by whom she would be filled, usually with a whole cargo of grain, or ore, or timber, or some similar commodity, to be carried from and to such ports as the charterer required. On the expiration of the charter the ship again came onto the freight market and was ready to go anywhere and lift anything. If she were in a foreign port, the

<sup>1</sup> Table reproduced from *Fairplay*, in Kirkaldy, *British Shipping*, Appendix XXIII.

<sup>2</sup> Kirkaldy, p. 172, and Sir Douglas Owen, *Ocean Trade and Shipping*, pp. 53-4.

owner would advise the Master by cable of the arrangements that had been made, which might be either to load a cargo in that port or proceed in ballast to some other port where a cargo had been fixed or was likely to be forthcoming. If times were bad, and no remunerative charter could be arranged, the owner would lay her up until the demand improved.

So free was the tramp steamer from the trammels of any fixed itinerary that a ship which left a port in the United Kingdom might spend many months, or even years, in voyages from port to port abroad, before she returned to her own country. Often she would put to sea without any definite knowledge of her destination at all, for many cargoes of grain were sold while in transit, and a ship would leave the Plate with her cargo consigned simply 'to orders', and receive at the Canaries or Madeira cabled instructions to proceed to London, or Genoa, or Bremen. It was this fluidity of the tramp trade which gave it its special importance in the distribution of the world's seasonal products.

The harvests of North America, Argentina, India, Australia, and Russia came on the market at different times, the yield fluctuated from year to year, and the demands of the importing countries also varied. No purely liner organizations, however elastic, could have provided that nice adjustment of supply to demand by which the dense industrial populations of Europe were fed from the newer agricultural countries. Hence, too, the importance of the tramp in war, when the ordinary currents of trade were so suddenly and violently disturbed.

Thanks to this freedom from fixity of service, each individual tramp steamer was an effective, self-contained, competitive unit, and though many companies owned considerable fleets, a large number of ships were, in fact, run as separate businesses by individual owners, partnerships, or single-ship companies. Of 100 cargo companies, owning between them 563 steamers, whose accounts for 1912 were analysed in *Fairplay*, 25 owned only a single steamer, and only 38 owned more than half a dozen.<sup>1</sup>

It is necessary, however, to draw a distinction between the ownership and management of the vessels. In the days of sail, a large proportion of the ships were owned by partnerships in which

<sup>1</sup> Kirkaldy, Appendix VIII. The list includes a number of liner companies.



each partner held a one-sixty-fourth interest or some sub-multiple thereof, and one partner, with practical experience of shipping business, was appointed manager of the vessel. Some tramp steamers were still owned on the sixty-fourth system; but the majority had been built or purchased with capital subscribed through the medium of a limited liability company. The necessity for skill and experience was, however, as great as ever, and the actual running of the ship or ships was often entrusted to a separate firm of Managing Owners, the members or directors of which were represented on the Board of the owning company. These Managing Owners were usually the promoters of the ship-owning companies, and held their office under contracts which rendered them, in effect, irremovable. They were remunerated by a commission, sometimes on gross earnings, sometimes on net profits. In some instances the fleet of a single company was large enough to occupy the whole attention of the firm; but many Managing Owners looked after the interests of a group of small ship-owning companies.

Not only was each ship an effective competitive unit, each voyage made by the tramp was a separate venture. While liner freights were usually fixed by the line or the Conference for stated periods, applied to all voyages by all the ships concerned, and could be altered only on giving definite notice, each tramp charter had to be secured in open competition with the shipping of the whole world. Whenever the Argentine wheat and maize harvests, for instance, were about to move, the grain ports would be crowded with ships under many flags, drawn from many seas by the lure of prospective freights, and clamorously bidding against each other for charters. Whenever a particular trade outgrew, momentarily, the capacity of the lines which served it, tramp tonnage crowded on to the route. It was, in fact, the competition of the tramp which formed the chief check on the regulation of freights by the liner Conferences, and since British imports of food and raw materials vastly exceeded in weight and volume the manufactured goods which provided the liners with their outwards cargoes, this competition had confined within somewhat narrow limits the Conference regulation of the homeward trade.<sup>1</sup>

Tramp freights themselves, depending as they did on the

<sup>1</sup> *Report of the Royal Commission on Shipping Rings*, Cd. 4668, 1909, pp. 13-18.

relation of the world's carrying power to the total demands of trade, were subject to wide fluctuations, increased by the eagerness with which shipowners, generally pessimists in theory but optimists in practice, placed orders for new tonnage during every period of high freights. Owing to this tendency, two or three years of prosperity were invariably followed by a slump, during which the majority of owners barely covered working expenses, and which lasted till the growth of world commerce had again caught up with the provision of tonnage. In the history of all industries, periods of prosperity alternate with periods of depression, but the margin of fluctuation was greater in freights than in the price of most staple commodities, and the contrast between 'boom' and 'slump' was more strongly marked in shipping than in almost any other business. During the thirty years preceding the war, *Fairplay's* Index Figure of homeward freights varied from a maximum of 125 to a minimum of 58, and outward freights fluctuated between the two extremes of 50 and 119.<sup>1</sup>

In these circumstances the management of tramp shipping called for a high degree of enterprise and initiative, readiness to take risks, and a watchful eye on working expenses. It was a business for which the British owner, trained in a school of unrestricted competition, may fairly be said to have possessed special aptitude, and with the exception of Norway, no other of the chief ship-owning Powers possessed anything like so large a proportion of tramp tonnage.

It should be added that the line of demarcation between the liner and tramp was by no means rigid, and many cargo vessels passed easily and frequently from one trade to another. A line which engaged in the carriage of a seasonal product, such as cotton, could meet the need for expanding its services during the rush season, either by chartering tramp tonnage or by maintaining a reserve of tonnage which they placed on the freight market when not required for their own service. Further, owners of the better class of tramp steamer tended more and more to build their ships with special reference to the requirements of a particular trade, and to confine their attention mainly to the service of that trade. Thus, a company owning a fleet of steamers suitable for the West

<sup>1</sup> See chart reproduced in Kirkaldy, Appendix XVI. The year 1900 is taken as 100.

Indian traffic would receive every year from the leading sugar ports a forecast of the tonnage that could be usefully employed at each, and would place an equivalent number of steamers on the berth for outward loadings, each vessel making several successive voyages during the season.

There was thus a pronounced tendency to assimilation of the two classes, but the general distinction remained clear, and the continued demand for tramp tonnage was ensured by the importance of the great seasonal products and the need in general trade for ships ready to adjust their movements to the requirements of commerce. At the outbreak of war about two-thirds of the ocean-going steamers on the Register, and about 60 per cent. of the steam tonnage, was of the tramp class.<sup>1</sup>

In the trade to and from British ports, both classes were equally important. The characteristic British exports, other than coal, were mainly manufactured goods of high value in relation to bulk, and were distributed chiefly by the liner fleets. These fleets brought in also practically the whole imports of perishable foodstuffs, such as meat and dairy produce, requiring shipment in insulated space, together with most of the imports of manufactured goods and a large proportion of the more valuable raw materials. Thus all imports of silk, tin, and rubber were carried by the liners, and most of the raw cotton and wool. The tramps, on the other hand, brought in practically the whole of the timber, iron ore, pyrites, phosphates, and other bulky imports, and supplemented to some extent the liner shipments of wool and cotton.

Most of the wheat shipped from North America was carried in liner parcels, but grain from the Plate, the Black Sea, India, and Australia was mainly a tramp trade, and even from North America much grain was shipped in full cargoes. Sugar also, though both classes participated in its carriage, was handled mainly by the tramps.

On their outward voyages many of the tramps carried manufactures of the rougher class, such as rails or cement, and they frequently filled up with a proportion of general cargo ; but it was in the coal trade that the greatest number found their outwards

<sup>1</sup> Liverpool Steam Ship Owners' Association, Secretary's Report of October 1915 ; Cd. 9092, p. 54.



employment. In values, coal represented less than 8 per cent. of the shipments from the United Kingdom, but in bulk the exports of coal greatly exceeded those of all other goods put together, and their importance in the economy of British shipping can scarcely be over-estimated. But for coal, the majority of the tramps which brought home grain and ore must have gone out in ballast, with a consequent heavy increase in homeward freights. Moreover, the carriage of coal cargoes was of incalculable service to the British tramp in competing for the inter-foreign trade, since it enabled her to place herself, in fulfilment of a remunerative charter, at ports which many of her rivals could reach only at the cost of a ballast voyage. It is true that rather more than half the coal exported was shipped in foreign vessels, but of the shipments to countries outside Europe and the Mediterranean, about 90 per cent. was carried in British ships, and it was this that gave the British tramp-owner so great an advantage in competition for the bulk homewards cargoes.<sup>1</sup>

Altogether, it has been estimated that, of the tonnage trading to or from the United Kingdom, 54 per cent. was of the liner and 46 per cent. of the tramp class. In the trade between foreign ports the proportion of tramps was much larger, amounting to about 80 per cent. of the steamers, and 75 per cent. of the tonnage employed.<sup>2</sup> The tramp, of course, could pass at will from one trade to the other, in response to the demands of the freight market; but for the liner the distinction was more clearly marked. Many liners on the longer routes carried, as an incident of their voyage, cargo between foreign ports of call; but there were also many regular services running solely between foreign ports. Especially important were the local services in the Indian Ocean and the China Seas, and the lines running under the British flag between North and South America, and between America and India. In addition, some of the lines trading from the United Kingdom to the Far East, the West Indies, and elsewhere, maintained minor local services as feeders, to collect and distribute the cargoes of the big ships.

Widely different in character, and often competitive in their operations, the liners and tramps were alike essential to Great

<sup>1</sup> Cd. 9092, pp. 78-9.

<sup>2</sup> Liverpool Steam Ship Owners' Association, Secretary's Report of October 1915.

Britain. The regularity of the liner services provided that element of continuity and stability without which a highly developed commerce is impossible. The fluidity and ubiquity of tramp shipping was an invaluable asset in international competition for the world's carrying trade, and provided a margin or pool of tonnage, equally available for the fulfilment of seasonal requirements and for meeting the emergencies of war.

In comparison with the steamer, whether liner or tramp, the sailing vessel played but an insignificant part in the operations of British shipping. Not only was the sailing tonnage on the Register a very small proportion of the whole: it was steadily decreasing. Few new sailing vessels of any size were built, and many were annually sold to foreigners, especially Norwegians, who were content to run them on cheap lines for a small margin of profit.<sup>1</sup> Of the 8,000 odd sailing vessels on the Register on 31st December 1913, nearly three-quarters were fishing craft or vessels employed in inland waters, and the remainder were mostly confined to the coasting trade, or traffic within the Home Trade limits.<sup>2</sup>

So far as the ocean trades were concerned, the sailing vessel was confined, almost exclusively, to the carriage of rough bulk cargoes on very long voyages, especially in the traffic of ports where bunker coal was expensive, or where primitive methods of loading and discharge entailed long delays in port. In such trades her low running costs still allowed her to compete, and grain and timber from British Columbia and California, nitrate and guano from the west coast of South America, provided homeward cargoes for many large sailing vessels that had brought out coal from the United Kingdom, coal or wheat from Australia, to West Coast ports.<sup>3</sup> Both French and German owners, however, took a larger share of this traffic than did the British.

Such, in brief outline, was the character and business of British shipping in 1914. Before passing on to a consideration of its war record, a little must be said of its relations with the State

<sup>1</sup> In 1911 there were 300 sailing vessels on the Register of 500 tons net and upwards; in 1913 only 238.

<sup>2</sup> Cd. 7176, pp. 296-9.

<sup>3</sup> Of 2,326 sailing vessels recorded as trading on 3 April 1911, 1,868 were engaged in coasting, and 200 in Home Trade traffic. Of 258 engaged in ocean trade, 93 were bound from or to Australasian, and 85 from or to American Pacific ports. (Cd. 7033, p. 92.) The number of sailing vessels running direct between the United Kingdom and Australia was small and diminishing.

and its internal organization, but a word must first be given to the great shipbuilding industry with which its prosperity was so closely connected.

For the five years 1910-14 inclusive, the average annual output of the British shipyards was about 1,660,000 tons gross, over 60 per cent. of the world's total output of new merchant tonnage, even including American ships built on the Great Lakes. About four-fifths of the tonnage annually launched was for British owners, the remainder being sold to foreigners. Although Germany, the United States, and Japan were, in 1914, practically self-sufficing as regards new tonnage, Great Britain was the only country building ships for export on a large scale, and the total foreign demand for British-built ships showed little sign of slackening.<sup>1</sup>

Thanks to the vast scale on which the industry was carried on, British builders had developed both specialization and standardization of shipping to a degree impossible in most other countries. The 'Standard Steamer' as introduced during the war was, it is true, a new departure, for ships were generally built under peace conditions, with a view to economical working in a particular trade; but there was an increasing tendency for shipbuilding firms to specialize in the production of particular types, and to turn out 'repeat ships' on the same pattern. This made both for efficiency in working and for a reduction in initial cost, and therefore in interest, insurance, and depreciation charges, and no small part of the success enjoyed by British shipping in competition for the world's carrying trade was due to the ability and enterprise of British builders.<sup>2</sup>

A further advantage derived by British shipping from the immense capacity of the shipbuilding yards in the United Kingdom was the rapidity with which tonnage could be renewed. Not only was the shipping annually wrecked or broken up as obsolete made good almost entirely by new construction, but an appreciable proportion of the tonnage on the Register was disposed of, every year, to foreign owners whose standards were less exacting, and

<sup>1</sup> Cd. 9092, pp. 21-2; Cd. 7033, pp. 70-3; *Lloyd's Register Book*, 1914-15.

<sup>2</sup> Cd. 9092, p. 33; Grosvenor M. Jones, *Government Aid to Merchant Shipping*, Department of Commerce, Special Agents Series, No. 119, Washington, 1916, pp. 47, 50.



replaced by new and more efficient vessels. During the five years 1909-13 inclusive, the net steam tonnage on the Register was diminished by 814,000 tons wrecked or broken up, and by no less than 1,743,000 tons sold foreign or transferred to Colonial Register ; on the other hand, 3,676,000 tons were added, of which 238,000 represented ships purchased abroad and other miscellaneous additions, such as salvage, and all the rest was new construction. The net result was that, not only was the total steam tonnage increased by 11 per cent., but nearly 23 per cent. of the tonnage on the Register at the beginning of the period had been replaced by new ships.<sup>1</sup> Of the total steam tonnage at the end of 1913, very nearly 68 per cent. had been built since 1900, and only 6·4 per cent. dated back to 1890 or earlier.<sup>2</sup>

<sup>1</sup> Cd. 9092, pp. 55-6, 141.

<sup>2</sup> Cd. 9092, p. 56, based on Cd. 7616, p. xi.

## CHAPTER II

### SHIPPING AND THE STATE IN 1914

IN view of the paramount importance of the Mercantile Marine as a factor in the national economy of the United Kingdom, it is not surprising that, from the earliest times, successive Governments should have manifested a keen interest in its welfare and efficiency, nor that legislation relating to shipping should bulk large on the Statute Books. This is not the place for a history of British shipping policy, but in view of the close connexion established during the war between shipping and the State, it will be well to remind ourselves briefly of the relations existing between them in July 1914.

According to a speaker in one of the Parliamentary debates on shipping during the war, the merchant service had 'grown up by the direct action of the State' and was 'founded on the Navigation Laws passed in the time of the Commonwealth'.<sup>1</sup> This is an assertion frequently made both in Great Britain and abroad, but a very brief examination of the facts will suffice to show its inaccuracy.

Of the Navigation Acts themselves something more may be said when we come to consider the agitation for their revival, which sprang up towards the end of the war. For the moment, it is sufficient to say that they were based on the policy of preserving for British shipping an absolute monopoly not only of the trade between the Mother Country and the British Possessions abroad, but of all traffic between those Possessions and the rest of the world. In addition, foreign shipping was excluded from the coasting traffic, and the carriage of imports from European countries was confined, with unimportant exceptions, to British ships and ships under the flag of the country whence the goods were derived.

How far the operation of these Acts was originally beneficial

<sup>1</sup> *Hansard*, 21 February 1917 (Mr. Peto).

to the growth of British commerce and British shipping is still a matter of dispute, and there is no need to decide the question here, for it has little bearing on the development of the Mercantile Marine in modern times. The Colonial System, which was the main basis of the policy embodied in the Acts, was shattered by the recognition of American independence, and during the first thirty years of the nineteenth century further large breaches were made in the fabric by Reciprocity Treaties concluded with various European Powers for the purpose of avoiding retaliatory measures. By 1845, when the Navigation Laws were finally consolidated, over one-half of the foreign trade was governed by the exceptions rather than by the rules, and the Laws had lost all real value as a protective measure, while they still hampered, in many directions, the natural flow of trade. In 1849 the whole system was swept away with the exception of the provisions relating to the coasting trade, and in 1854 the coasting trade itself was thrown open to all flags.<sup>1</sup>

Whatever part the Navigation Acts may have played in promoting the growth of British shipping in the latter part of the seventeenth and the first half of the eighteenth century, they had, long before their repeal, become a hindrance rather than a stimulus to its development, and the predominant position occupied by the British Mercantile Marine at the beginning of the nineteenth century was due mainly to the sweeping of other flags from the seas during the Revolutionary and Napoleonic wars and the impetus given by the industrial revolution to British commerce. That position was threatened, at the time of the repeal, by the competition of American shipping, whose success was largely due to the complacent conservatism which the quasi-monopoly conferred by the Acts encouraged in British shipowners. Thrown back on their own resources and initiative, those owners developed a new spirit of energy and enterprise, and the State, no longer concerned with the economic protection of shipping, devoted itself with a new-found zeal to the social problems of the industry—the

<sup>1</sup> For the history of the Navigation Acts and their repeal, see W. S. Lindsay, *History of Merchant Shipping*, London, 1874, 1876; W. Cunningham, D.D., *Growth of English Industry and Commerce*, 3rd edition, Cambridge, 1903; Parliamentary Return, No. 338 of 1902; and the author's paper on 'The Proposed Revival of the Navigation Acts', *Edinburgh Review*, July 1918, with the authorities there cited.



safety of ships, goods, and lives, the education of the officers, and the welfare of the crews. The change from wood and sail to iron and steam found Great Britain well prepared, and during the quarter of a century immediately following the repeal of the Navigation Acts, the tonnage on the Register of the United Kingdom rose from 3,565,000 tons net, of which 168,000 tons was steam shipping, to 6,152,000 tons, of which 1,945,000 tons was steam.<sup>1</sup>

This then is the true position. For seventy years prior to the outbreak of war, British shipping had been left to compete, strictly on its own merits, in the freight markets of the world. As a general rule it enjoyed, by virtue of Commercial Treaties, and in consequence of the British free trade policy, national or at least most-favoured-nation treatment in foreign ports ; but in no sea, and in no trade, was it accorded exclusive privileges.<sup>2</sup> Its prosperity depended entirely on the efficiency of its services, on the growth of British commerce, and on the advantages derived from the geographical position and material resources of Great Britain. During those seventy years the general introduction of steam and the opening-up of new markets and sources of supply had led to a twenty-fold multiplication of the world's carrying-power, and had profoundly modified the character, problems, and operations of the shipping industry in every country. In these circumstances the British Mercantile Marine, as it existed at the outbreak of war, must be considered as the creature of conditions differing in no essential respect from those of 1914 ; deriving from a remoter past much of its prestige and traditions, but dependent for its position and prosperity on the validity of its current policy.

The suggestion, sometimes made at home and abroad, that the great expansion of British shipping since the repeal of the Navigation Acts was due to the payment of subsidies by the Government will not bear the most cursory examination. It is based largely upon a confusion between subventions paid to shipping companies in return for the performance of specific services and subsidies or bounties granted for the encouragement of shipping as a matter of

<sup>1</sup> A. Lindsay, *History of Merchant Shipping*, vol. iii, London, 1876.

<sup>2</sup> For a summary of the provisions relating to Navigation in Treaties extant at the outbreak of war, see Cd. 9092, pp. 146-8.

commercial policy. This confusion has arisen, in part, from the common use of the terms 'subsidy' and 'subvention' as synonymous, but the distinction is a very real one, and it is desirable that it should be indicated by a more precise terminology. Speaking generally it is perfectly true to say, in the words of the Select Committee on Shipping Subsidies, that 'British policy has usually hitherto been to subsidize ships for postal or Admiralty purposes only, and to exclude all consideration of trade interests'. There is no doubt that the payments to steamship companies under some of the earlier mail contracts were considerably in excess of fair remuneration for the work performed, but they were not long continued on this basis. The original grants were inspired partly by the desire of the Admiralty to encourage the building of large, fast, strongly constructed steamers suitable for use in war, and partly by the desire of the Government to encourage the development of oversea communications, by the establishment of more extensive services than were likely to be commercially remunerative while steam propulsion was still in the experimental stage. As the total of steam tonnage increased, and the development of trade provided remunerative employment for even the largest and fastest ships, these motives lost much of their force, and from about 1874 onwards the postal subventions were either drastically reduced or made contingent on the performance of much more extensive services.

Certain additional payments were also made, under the Admiralty Vote, in respect of vessels constructed to comply with special Admiralty requirements for use as Armed Merchant Cruisers in time of war, but these also gradually fell into disuse, as it became apparent that the majority of the larger liners, whether in receipt of a subvention or no, complied with the Admiralty requirements. At the outbreak of war, the only ships in receipt of Admiralty subventions were the two crack Cunarders, *Lusitania* and *Mauretania*, built in 1907, when the formation of the International Mercantile Marine Company threatened to withdraw the fastest ships in the North Atlantic from the British flag.

Whatever may have been the value of the subsidy element in some of the early mail contracts, they affected only a few of the liner services, and for forty years prior to the outbreak of war the

postal subventions represented mere payment, often bare payment, for services performed. At the most they affected not more than 5 per cent. of the tonnage under the British flag. Even in the development of the great mail and passenger lines they counted for comparatively little, and they left absolutely untouched the cargo liners and tramps that formed the bulk of the Mercantile Marine. Had British shipping received, in proportion to its tonnage, the direct State aid accorded to the shipping of many foreign countries in the form of construction, equipment, working, and navigation bounties, refund of duties and taxes, and reimbursement of Suez Canal dues, the cost would have been not £645,000, the actual amount of postal and Admiralty subventions in 1914, but ten, fifteen, or twenty million pounds.<sup>1</sup>

It may thus fairly be said that from the middle of the nineteenth century all direct State interference and practically all direct State assistance in the working of the shipping industry came to an end. From that time onwards State intervention was confined to such legislation as was necessary, on the model of the Factory Acts, for the purpose of preventing, in the interests of social welfare, the abuse of economic freedom. The successive Merchant Shipping Acts which, from 1854 onwards, regulated the conduct of the industry were directed mainly to ensuring, as far as possible, the safety of life and property afloat, to defining the liability of shipowners for loss of life or goods, to securing a satisfactory standard of education and ability in the officers, and to improving conditions for the seamen.

The working of the whole code was placed under the supervision of the Marine Department of the Board of Trade. Through its Harbour Department, the Board was also the supreme central authority over docks, harbours, lighthouses, and pilotage. Its jurisdiction in these respects was, however, mainly of a supervisory character. The actual erection and maintenance of lights and buoys were carried on, under the financial control of the Board, by the Corporation of the Trinity House (for England and Wales),

<sup>1</sup> *Report of the Select Committee on Steamship Subsidies*, H.C. 385, 1902; *Report of the Committee on Mercantile Cruisers*, Cd. 1379, 1902; *Report on Bounties and Subsidies in respect of Ship-building, Shipping, and Navigation in Foreign Countries*, Cd. 6899, 1913; *Government Aid to Merchant Shipping*, Special Agents Series, No. 119, Department of Commerce, Washington, 1916; A. Lindsay, *History of Merchant Shipping*, vol. iv, London, 1876; *Shipping World Year Book*, London, 1914.



the Commissioners of Northern Lighthouses, and the Commissioners of Irish Lights. The Trinity House, an ancient, autonomous Corporation, governed by a Master, Deputy Master, and Brethren chosen from officers of the Royal Navy and the Mercantile Marine, was also the principal English pilotage authority, though, like the other local authorities, it carried on its work under the supervision and subject to the regulations of the Board.

Over ports and harbours the Board exercised a measure of direct control in respect of quarantine and similar questions, but in the actual working of the ports it had little part. State or municipal ownership of ports and docks was less common in Great Britain than abroad, though some ports, such as Bristol, were both municipally owned and rate-aided to a considerable extent. Many were private undertakings, owned and worked by public companies on purely commercial lines, such as the docks owned by the Manchester Ship Canal Company at Runcorn and Manchester, and the great railway ports, such as Southampton and the Humber ports. The general tendency, however, was for the most important ports to be worked by great Public Trusts, such as the Port of London Authority, the Mersey Docks and Harbour Board, and the Trustees of the Clyde Navigation. By these bodies, representative of the various interests using the ports, with a certain proportion of State or municipal nominees, the docks were administered for the public benefit, all profits, after payment of interest on borrowed capital, being devoted to reduction of charges or improvement of facilities.

Over shipping itself, the Board of Trade exercised a more direct and detailed supervision. The standard of construction and equipment, the regulations as to stowage and loadlines enforced under the Merchant Shipping Acts, were generally in advance of the average level abroad; indeed, British shipowners frequently complained that the development of mercantile construction was unduly hampered by the imposition of hard-and-fast rules, imposed for the purpose of curbing malpractices by a small minority. They complained even more bitterly that foreign vessels using ports in the United Kingdom were free from the restrictions imposed on British owners, who were thus handicapped in international

competition. This grievance was, to a great extent, remedied by the Merchant Shipping Act of 1906, which applied the bulk of the British safety regulations to foreign ships in the ports of the United Kingdom. By this Act also, many obsolete rules were swept away and a greater elasticity given to the whole code. At the same time, the creation of the Merchant Shipping Advisory Committee, on which shipowners, shipbuilders, and seamen were represented, ensured for the future a closer touch between the Board and the industry in the framing of regulations.<sup>1</sup>

The tendency towards the substitution of general supervision for hard-and-fast rules was greatly facilitated by the existence of certain great autonomous institutions whose influence on the development of the industry can hardly be exaggerated. The Corporation of Lloyd's and Lloyd's Register are household words wherever shipping is discussed, and it would be superfluous here to enter on any detailed description of their organization and activities; yet their importance, in peace and in war, is too great for them to be passed without notice.

The world-wide reputation of 'Lloyd's' has perhaps obscured the fact that, in origin and in theory, the Corporation was merely an association of marine underwriters, with no other object than to provide its members with facilities for the conduct of their business. It was for this alone that Lloyd's had established one of its 1,400 agents in practically every known port, and had erected or acquired its signal stations on some 150 prominent headlands; but the effect went far beyond the original purpose. Through this great organization Lloyd's not only received early news of all marine casualties, but was kept in close touch with the arrivals and departures at all ports, and with the movements of shipping in every sea. From this unique system of shipping intelligence, as well as from the importance of the interests it represented, the Corporation had acquired an influence that can hardly be overestimated, and this had been consistently directed to the promotion of a high standard of safety and conduct in shipping business. In war, it provided the Government with an unequalled channel for disseminating official instructions and information.

<sup>1</sup> Cd. 9092, p. 114; Sir Norman Hill, *The British Mercantile Marine in its relation to the State*, Manchester Statistical Society, 1918.

Lloyd's Register, an independent society, was founded, also in the interest of underwriters, for the purpose of publishing an annual Register Book, in which ships, whether British or foreign, were classified according to age, construction, equipment, and upkeep. Its national importance arose from the fact that, while the Register Book formed a complete index to British and foreign shipping, no ship could receive Lloyd's classification unless built in strict conformity with rules laid down by the Society, and periodically surveyed by its surveyors. To Lloyd's Register, and to two similar bodies, the British Corporation for the Survey and Registry of Shipping, Glasgow, and the British Committee of the Bureau Veritas, the Board of Trade had deputed the duty of assigning load-lines under the Merchant Shipping Acts; but still more important was the general influence of the great Classification Societies on design and equipment. The standard required for a high classification, ensuring cheap and ready insurance, went beyond official requirements, and while nearly half the mercantile tonnage of the world held a classification from Lloyd's Register alone, nearly all British ships afloat in 1914 had been classed either by the Register or by the British Corporation, and were thus built and maintained in accordance with regulations embodying the last developments of marine science.<sup>1</sup>

Thanks to the influence of these great bodies, as well as to the effect of the regulations as to construction and stowage imposed by or under the Merchant Shipping Acts, to the skill of British ship-builders, and the professional ability of the Masters and officers of the Mercantile Marine, British shipping had attained, by the opening of the present century, a high standard of safety. For the ten years ending 1911, the number of steam and sailing vessels of all sizes wrecked at sea averaged 240 out of some 20,000 on the Register of the United Kingdom, and the percentage of loss was considerably below that suffered by the mercantile fleets of other countries.<sup>2</sup> It was the proud boast of the Cunard Company that in sixty years of traffic they had never lost the life of a single passenger, and the safety ensured to life and goods under the

<sup>1</sup> For the history and fuller particulars of Lloyd's, Lloyd's Register, and the British Corporation, see Sir Douglas Owen, *Ocean Trade and Shipping*; Kirkaldy, *British Shipping*; and H. Frederick Martin, *History of Lloyd's*, London, 1876.

<sup>2</sup> Cd. 7033, p. 69.



British flag was undoubtedly an asset of considerable importance in international competition.

Both the Corporation of Lloyd's and Lloyd's Register were established, in the first instance, in the interests of underwriters ; but the shipping industry itself was also strongly organized for the protection of its own interests. The Liner Conferences dealt with the regulation of freights and delimitation of interests in particular trades, while Protecting and Indemnity Clubs and Defence Associations, representing a large proportion of the tonnage on the Register, provided for mutual insurance against sea perils and claims arising therefrom ; indeed, the principle of mutual insurance had been developed by shipping to a greater extent than by any other industry, a fact which became of the utmost importance when the problem of war risks had to be tackled. In addition, there were many shipowners' associations, representing particular ports or districts, for the purpose of dealing with questions of general interest. The majority of these Associations, together with the various Protection and Indemnity Clubs, were affiliated to the Chamber of Shipping of the United Kingdom, which had thus become fully representative of the tramp shipping of the country, while a substantial proportion of the liner tonnage was also brought within its fold. Even more powerful, however, in representation of the liner interests, was the Liverpool Steam Ship Owners' Association, in which was entered about a third of the ocean-going tonnage on the Register. Between them, these two great organizations represented practically the whole shipping of the country, and both in peace and in war this was of great importance as providing a channel for negotiation between owners and the Government on matters affecting both shipping and national interests.

For dealing with labour questions also, the shipowners were strongly organized, the Shipping Federation representing the owners organized in the Chamber of Shipping and its affiliated bodies, while the Liverpool Employers' Association acted in general co-operation. On the other hand, the officers and men were organized in a number of independent bodies, between whom there was little communication. The Masters and deck officers were represented by the Imperial Merchant Service Guild, the Mercantile

Marine Service Association, the British Shipmasters' and Officers' Protection Society, and the Association of Coastwise Masters, Mates, and Engineers. The Marine Engineers had an association of their own; but many of them were members of the powerful Amalgamated Society of Engineers. For the catering department there was the National Union of Ships' Cooks, Stewards, Butchers, and Bakers; but many cooks and stewards on tramp steamers were members of the National Sailors' and Firemen's Union, the most important of the lower-deck organizations.

Since the seamen's strike of 1911, the great majority of the petty officers, sailors, and firemen had become members of the National Union, which had absorbed most of the small local unions previously existing at the ports. The Hull Seamen's Union, which preserved its independent existence, worked in close touch with the national organization; but the British and Scottish Seafarers' Unions, established at Southampton and Glasgow respectively, were hostile to that body, from which they had split off. Even so, the National Sailors' and Firemen's Union claimed, in 1914, to represent 90 per cent. of the organized petty officers, sailors, and firemen. They were hampered, however, by the existence of a large body of non-Union labour, mainly foreigners and Asiatics. Their relations with the Shipping Federation were acutely hostile, and embittered by the recollection of struggles in which an uncompromising and combative spirit had been displayed on both sides. Of machinery for conciliation, or for bringing the owners and men together for other purposes than conflict, there was practically none, except at Liverpool, where a Seafarers' Joint Committee existed, and on the North-East Coast, where the local Shipowners' Association was prepared to recognize and meet Union representatives.

It was perhaps due to the comparatively weak organization of the industry on the labour side that the condition of the personnel, though it had greatly improved under the régime of the Merchant Shipping Acts, fell short of the standard obtained in the construction and running of the ships. Much had been done to ensure fair conditions of engagement, protection from crimps and sharks, facilities for saving, and the provision of medical treatment and necessities; the standard of diet had been greatly raised,

and the Act of 1906 introduced a much needed improvement by providing for the carriage of certificated cooks. The accommodation, however, still left much to be desired. Even under the Act of 1906, the legal minimum gave only one-eighth of the cubic space and one-fifth of the floor space laid down by the War Office as the minimum to be provided in barracks. There can, of course, be no close comparison between conditions ashore and afloat ; but tried by any reasonable standard, the accommodation, lighting, and sanitary arrangements on many ships were exceedingly imperfect, and provoked repeated protests from such bodies as the Royal Sanitary Institute, and from the Medical and Sanitary officers at the ports. To these conditions, as much as to the exposure incident to the sailor's calling, was due the high rate of mortality from disease which, in 1911-12, reached 1 in 238 among all seamen employed, and 1 in 298 among those of British birth.<sup>1</sup> The conditions under some foreign flags were even worse ; but unfortunately it is impossible to claim that Great Britain led the way. It may be admitted that, aboard ship, space is money, and that the unrestricted competition and recurrent periods of depression in the cargo trade rendered economy in construction essential, but the conditions in too many British ships were such as to reflect small credit on the world's greatest mercantile fleet.

Of recent years, however, the standard of accommodation, as well as of other conditions, had considerably improved, and many progressive owners went beyond the legal minimum in the treatment of the crews. As regards accommodation such improvements were necessarily gradual, keeping pace with the renewal of tonnage ; but a substantial improvement in general conditions afloat may reasonably be inferred from the increasing proportion of British seamen among the crews ; for the large number of foreigners employed during the nineteenth century was due mainly to the fact that, owing to the lower standard of life abroad, a better and steadier class of men could at times be signed on in foreign ports than were attracted by the rate of pay offered, and the conditions of service, from the population of the United Kingdom. In 1903, when this tendency reached its height, the proportion of foreigners

<sup>1</sup> *Return of the deaths of Seamen and Fishermen*, Cd. 6629, 1913.



to men of British birth was 22·88 to 100 ; by 1912 it had sunk to 14·84.<sup>1</sup>

One very serious handicap to the adequate manning of the Mercantile Marine was the total absence of any national system of sea-training. The *Conway*, the Pangbourne Nautical College, and other institutions provided for the education of officers, but for the 9,000 boys annually required to maintain the supply of seamen and firemen there was practically no provision. During the last few years great efforts had been made to obtain State aid in the training of respectable lads for the sea, but they had broken down over the shipowners' demand for some compensation in respect of the cost of carrying an increased proportion of boys, and seamen and firemen were left to find their way into the mercantile marine by the ordinary channels of direct engagement and without any regular preliminary training.<sup>2</sup>

Such were the relations between the Shipping Industry and the State in 1914. They amounted, as will be seen, mainly to a general police supervision that had done much to secure a high standard of safety in the ships, and much, though not enough, to improve the conditions of the seamen. In securing safety and efficiency, great autonomous institutions, semi-official like the Trinity House, or wholly unofficial like Lloyd's and Lloyd's Register, had played at least as great a part as the State itself. In the economic operations of the industry the State had no share, nor did it, either by protection or subsidy, assist the British shipowner in competition with his rivals, many of them heavily subsidized.

How far British shipping, under these conditions, was holding its own, is a matter of some controversy. That the shipping of certain foreign countries should have increased during recent years more rapidly than that under the British flag is not surprising, for many of those countries were late starters in the race, and had much leeway to make up before they possessed a mercantile marine in any way commensurate with their commercial importance. In such circumstances the comparison of percentages is misleading ; it is easier to increase from 10 to 20 than from 100

<sup>1</sup> Cd. 7033, p. 88. The figures are exclusive of Lascars and Asiatics under Asiatic Articles of Agreement.

<sup>2</sup> See Clement Jones, *op. cit.*, p. 129 ff.

to 200. During the ten years preceding the war, Brazilian steam tonnage increased three times as fast as British ; but Brazil was not, on that account, a formidable competitor in the carrying trade. As regards the actual amount of tonnage annually added to the Register, Great Britain still stood far ahead of all rivals. Thus, between June 1903 and June 1914, the gross steam tonnage under the German flag increased by 83·7 per cent., while tonnage on the Register of the United Kingdom rose 40·8 per cent. only ; but whereas the Germans had added 2,341,000 tons to their fleet, the actual growth in British tonnage was 5,481,000 tons, and at the outbreak of war the British steam fleet was about three and a half times as large as the German.<sup>1</sup>

This is not to say that the competition of foreign shipping was not keenly felt by the British shipowner. The Scandinavians and Greeks, running a large amount of cheaply acquired second-hand tonnage on cheap lines, were frequently able to under-cut the British tramp ; the heavily subsidized Japanese lines were serious competitors in the Far Eastern and Pacific trades ; and there were few of the regular services that did not feel the competition of the German lines, the greater part of whom were associated in a single, very powerful, fighting organization. Many of the jeremiads as to the dwindling proportion of the world's trade carried in British ships failed to take account both of the actual increase in the total volume of traffic and of the inevitable growth in the mercantile fleets of Powers previously dependent almost entirely on foreign shipping ; on the other hand, there is no doubt that in certain directions, notably the Eastern and Mediterranean trades, British shipping was losing ground, and it was hard pressed in the Atlantic passenger traffic.<sup>2</sup>

So far as competition was based on efficiency of service and organization, it was recognized by the leading British shipowners as a healthy stimulus ; but there were three respects in which they contended competition was unfair. In the first place, they complained of a lack of reciprocity as regards the equal treatment accorded to all flags in British ports, more especially in the

<sup>1</sup> If tonnage on Dominion and Colonial Register be included, the rate of increase was 44·6 per cent., the actual growth 6,330,000 tons, and the ratio to Germany, 4 to 1. Figures from *Lloyd's Register Book*.

<sup>2</sup> Cd. 9092, pp. 75, 86-9.

exclusion of British ships from the coasting traffic of certain Powers, and the wide extension given to that term by the United States, France, and Russia, which brought the traffic with distant possessions under the heading of domestic trade.<sup>1</sup> In the second place, there was a strong suspicion that the special through rates, granted by the German State Railways to goods for export, were so manipulated as to amount in practice to a measure of discrimination against all foreign flags.<sup>2</sup> Finally, the Germans were accused of employing the Control Stations established for the regulation of the European emigrant traffic to make the right of transit across Germany conditional on shipping by German lines.<sup>3</sup> To these points, at any rate to the second and third, we shall have to recur in the consideration of *post-bellum* policy. By the time that policy came up for consideration the whole situation had undergone a stupendous change.

<sup>1</sup> Cd. 9092, p. 110.

<sup>2</sup> *Ibid.*, pp. 97-100.

<sup>3</sup> *Ibid.*, pp. 8-10, 96-7.



## CHAPTER III

### THE SHOCK OF WAR

UP to the third week of July 1914, the multifarious activities of British shipping were proceeding on normal lines. Labour unrest, both at home and abroad, threatened some eventual trouble in the ports; but save for the black cloud in Ulster, the political horizon was clear, for little general attention was paid as yet to the growing friction between Austria and Serbia, and there was no serious expectation of any violent interference with the course of trade.

All over the world, shipping was on the move, and shippers were calculating their requirements for the autumn months. The shipment of grain from the Black Sea was in full swing; the period of greatest activity in the North American wheat trade was approaching; and though the bulk of the Argentine wheat surplus had already been shipped, the export of maize had been delayed by heavy rains, and a large block of tramp tonnage was gathering in the harbours of the River Plate, in readiness to lift the crop. In September the American cotton crop would begin to move, finding employment for augmented liner services and a certain amount of tramp tonnage; the new wool season from Australia was timed to begin on 7th September; large quantities of wheat, jute, and tea in India, and of sugar in Java, were, or would soon be, ready to come forward. Nearer home, the Baltic and White Sea trades were approaching their maximum activity, pending the closing of the routes by ice.

The one unsatisfactory feature of the situation, from the shipowner's point of view, was the existing level of freights. As we have already seen, the freight markets had been subject during recent years to violent fluctuations. After maintaining a high

level during the eighties, freights fell steadily till 1895; but the decline had been checked by the engineers' strike of 1897, which reduced the output of new tonnage, by the Spanish-American war of 1898, and the demand for transports arising in 1900 from the South African war. From 1898 to 1901 the level of freights was high; but the new boom was followed, in its turn, by a slump of exceptional severity, largely due to over-building. Despite the increased earning power of modern steamers, many cargo-boat companies were obliged to pass their dividends and write down capital, and those which made a small distribution to their shareholders frequently did so at the expense of proper provision for depreciation. As a natural result, owners reduced their orders for new construction; the British output for 1908-10 inclusive fell 40 per cent. below that of the previous three years; requirements caught up with the supply of tonnage, and freights rose slowly from 1908 to 1911. In the summer of that year a world boom in trade set in, which lasted until the autumn of 1913, and carried freights to heights unknown for at least twenty years. In 1912 the dividends distributed by the cargo-boat companies whose accounts were analysed in *Fairplay* gave an average return of 6·82 per cent. on the paid-up capital, and in 1913, when the full effect of the boom became visible, the figure rose to 12·56 per cent., and this in spite of the fact that, taught by experience, the companies carried large amounts to depreciation, in order to make good the shortcomings of previous years.<sup>1</sup>

This period of prosperity was accompanied, as usual, by a feverish eagerness in the placing of orders which, again as usual, overshot the mark. In three years the world's gross tonnage was increased by over 6,500,000 tons, and with the passing of the trade boom, the supply of shipping showed a large excess over the demand. During the last few months of 1913 freights fell rapidly, and shipowners were faced with the prospect of a prolonged period of depression.<sup>2</sup> On the other hand, the financial position of the industry was unusually strong, owing to the large amounts transferred to depreciation during the boom, and in February 1914 Mr. Jas. H. Warrack, President of the Chamber of Shipping, in his

<sup>1</sup> See Appendix, Table 46.

<sup>2</sup> See e. g. Mr. (now Sir) Walter Runciman, in *Fairplay*, December 1913.

inaugural address, expressed the opinion that the pessimism displayed in some quarters was exaggerated, and that, if owners would abstain for a couple of years from over-building, the equilibrium between supply and demand would be restored.<sup>1</sup> During the early months of 1914, however, freights continued to fall, and though their downward progress appeared by the summer to have been somewhat checked, and the general level was above that ruling during the last years of the preceding depression, the immediate outlook was far from encouraging.

At its worst, the fall in freights was a small matter in comparison with the catastrophic blow that was now to fall upon the industry. On 23rd July the Austrian ultimatum to Serbia was delivered, and within a week the whole situation had changed. It was in the Balkans that the crisis had its origin, and it was first reflected in the suspension of Black Sea chartering, but once the alarm had been taken, it spread rapidly. All fixed services under the British flag continued to run; but by the end of the month, tramp chartering had everywhere come practically to a standstill. Even in the outward trades, where inquiries were comparatively plentiful, few fixtures were effected, as owners were unwilling to commit themselves until the probable course of events could be more clearly foreseen.

This general stagnation of the freight markets was very largely due to the inability of either shipowners or merchants to obtain insurance against the risk of capture in the event of war, and this difficulty threatened, when war was actually declared, to paralyse for an indefinite period the whole movement of British shipping. That danger was averted, at the last moment, by the adoption of a scheme of State Insurance against War Risks; but both the magnitude of the peril and the novelty and interest of the steps taken to meet it demand for the State Insurance Scheme a chapter to itself, and any full considerations of its provisions and effects must, therefore, be postponed.<sup>2</sup>

Despite the success of the Insurance Scheme, the immediate effect of the declaration of war at midnight 4th/5th August was to bring practically the whole business of shipping, for the time

<sup>1</sup> *Report of Proceedings of the 37th Annual Meeting of the Chamber of Shipping*, 27 February 1914, p. 51.

<sup>2</sup> See Chapter IV, *post*.



being, to a standstill. The great majority of the lines cancelled their August sailings, and for several weeks the announcements which fill the first two pages of *Lloyd's List* and the shipping advertisement columns of the ordinary press appeared in strangely altered form. Some contained a general intimation that sailings were suspended; others appeared with dates left blank, or at best, with a reduced and provisional list. Inquiries for tramp tonnage were few and tentative; freight quotations were absent or nominal. Every port at home and abroad was thronged with ships whose sailings were suspended, or who had put in for safety and were awaiting owners' instructions before proceeding on their voyage.

In all this there was nothing of surprising or discreditable panic. Much as had been written as to the probability of an Anglo-German conflict, the startling rapidity with which the crisis actually developed took the whole world by surprise. The shock was the more severe inasmuch as it supervened upon a long period of peace, a period marked by rapid and continuous development both in the methods of trade and the weapons of war. It was a hundred years since Great Britain had been engaged in war with a first-class, oceanic, naval Power; and no campaign fought since the transition from sail to steam afforded an adequate guide to the possibilities of warfare against commerce on the scale now to be expected. It was natural that shipowners and merchants alike should require a little time to take stock of their position.

Thanks to the readiness of the Navy and the security provided by the State Insurance Scheme, the hesitation arising from fear of enemy action was quickly overcome. For a few days the Admiralty and the Naval Authorities abroad were bombarded with inquiries by shipowners and masters as to the safety of the routes; but within a fortnight the period of acute anxiety had passed. The High Seas Fleet made no move, the German forces on foreign stations were of no great strength, and contrary to apprehensions entertained before the war, there was no general arming of the German liners in oversea ports. By the middle of August the vital North Atlantic trade had been in large measure restored, and British cruisers were able to report that, on all routes, shipping under the British flag was rapidly increasing in volume,

and that it displayed a daily growing confidence in the security of the ocean tracks.<sup>1</sup>

This prompt recovery of confidence on the part of ships at sea was of good omen for the future; but however brave a face masters and owners might put on it, the shipping industry had received a staggering shock. However complete might be the protection provided by naval dispositions, however great the financial security afforded by the State Insurance Scheme, the prospects of employment depended entirely on the volume of trade that could be maintained, and for the moment the trade of the world was utterly disorganized. The outbreak of war had everywhere dislocated the delicate machinery of international credit; in twenty countries a moratorium had been proclaimed; banks and exchanges were closed, communications difficult and uncertain. In a hundred ports vessels were held up by the withdrawal of credit facilities as effectively as by a blockading squadron, and though ships at sea were ready enough to defy the risks of capture, and sufficient cargo was procurable on certain routes to justify the resumption of the fixed services, there could be no general resumption of chartering, or even of liner sailings, until credit and commerce had recovered to some extent from the initial paralysis, and adjusted themselves to war conditions.

Moreover, the outbreak of war and the demands of the fighting services interfered at every turn with the working of the industry. To the shipowner, the cry of 'business as usual', raised so early in the war, must have been peculiarly irritating, save in so far as it implied the determination to spare no effort towards the resumption of activity. There was little that was 'usual' about the conditions in which he had to work. Ships, ports, and crews, the navigation of the vessels, and the course of the freight markets were alike affected.

In the first place, of course, all voyages to German and Austrian ports, whether from the United Kingdom or elsewhere, had at once to cease—and well over 3,000 British vessels were annually entered with cargoes at German ports alone. Now, at one blow, all fixed services to Germany were suspended, all charters cancelled,

<sup>1</sup> For a detailed study of the effect of the war on the trade of the various routes see *Seaborne Trade*.



all current voyages overshadowed by the menace of capture or detention. From this last danger many ships were saved by the close co-operation set up from the very beginning between Lloyd's, the great shipowners' organizations, and the Naval Authorities. So promptly and widely was the warning disseminated during the critical days immediately preceding the ultimatum, so active were the Channel Patrols, that not a single ship under the British flag blundered into a German port after the outbreak of war. Even of those lying in German ports at the end of July, many succeeded in making their escape during the period of tension.

All were not equally successful. There is ample evidence that, from the moment war became imminent, the German Authorities deliberately impeded the departure of British ships, and on 5th August, over seventy steamers were still in German harbours. A proposal made by the British Government for the reciprocal granting of 'days of grace' under the Hague Conventions was silently ignored, and though the Conventions prohibited the condemnation of vessels thus surprised by the outbreak of hostilities, they were nevertheless liable to detention for the period of the war.<sup>1</sup>

Nor were these the only vessels of whose services their owners were at once deprived. In addition to warning ships bound for German ports, the Admiralty had arranged for all vessels on their way to any port in the Baltic or North Sea to be diverted and instructed to call for orders at Falmouth or elsewhere, and owners had been advised to hasten the departure of ships lying in Baltic and North Sea harbours. Nearly a hundred steamers, however, were unable to clear from the Baltic before the night of 4th August, after which the presence of strong German forces in the Kattegat rendered their escape, for the time being, impossible.

The aggregate tonnage thus immobilized in German, Russian, and Swedish ports, though it amounted to over 450,000 gross, was small in comparison with the total volume of British shipping. To individual shipowners, however, the loss was serious, especially to the owners of Baltic ships, who were obliged to make remittances

<sup>1</sup> See Fayle, *Seaborne Trade*, vol. i, pp. 33-4, 54-6; Archibald Hurd, *The Merchant Navy*, vol. i, London, 1921, pp. 130-2.



for their upkeep, with little or no hope of any compensating earnings.

Less injurious to the shipowner, but of still greater effect on the supply of tonnage for commercial purposes, and productive of consequences by which the course of the war was to be deeply affected, were the demands of the British Admiralty itself. On 3rd August a Proclamation was issued authorizing the Admiralty, in view of the national emergency, to requisition ships as transports and naval auxiliaries,<sup>1</sup> and it soon became evident that the requirements of the fighting services far exceeded anything known in previous wars. For the transport of the British Expeditionary Force alone, some 250 steamers were required, and including Armed Merchant Cruisers, Boarding and Examination Steamers, Mine Carriers, Fleet Messengers, Ammunition and Supply Ships, Colliers, Oilers, Troop Ships, Hospital Ships, and Store Ships, the total number of steamers in naval or military employment rose rapidly to over a thousand, representing an aggregate of 4,000,000 tons gross.

The dislocation caused by the diversion of so large a volume of shipping from commercial employment to war service was greatly accentuated by the inevitable haste with which the operation was carried out. No commercial considerations could be allowed to interfere with the passage of the Expeditionary Force or the equipment of the Navy with the auxiliaries it required. So far as possible, the Admiralty Transport Department endeavoured to select ships that could be withdrawn with a minimum of inconvenience; but availability and suitability were, naturally and properly, the predominant considerations, and it inevitably followed that many liners were taken up whose sailing date had already been fixed, and that many freighters with cargoes, or part cargoes, already on board were forced into service. A great deal of confusion was the result, for it was not always possible to discharge such goods before the vessel entered on her new employment; nor was it easy, when mixed cargoes had been transferred to substituted vessels, to keep track of individual parcels. It was a term of the engagement of the ships that the owners should be

<sup>1</sup> No. 1247 of 1914, *Manual of Emergency Legislation*, p. 386. For the terms of requisition see Chapter V, *post*.

indemnified against third-party claims ; but the worry and dislocation of business was considerable, both to shipowners and merchants, and there was a good deal of criticism as to the action of the Transport Department in taking laden ships, or ships fixed for a voyage, when equally suitable vessels free from commitments were readily available. A certain amount of this criticism was undoubtedly justified, and it is probable that, with more thorough preparation before the war, some of the dislocation might have been avoided ; but in many instances the critics appear to have overlooked the rapidity with which the crisis had developed, and the extreme pressure under which the small staff of the Transport Department were working in the early days of the war. It should be said that in very few instances did a sense of grievance prevent the shipowner from co-operating to the utmost of his power in bringing his vessel forward for her new employment.

Nor was it only ships that the Admiralty required. On 3rd August Proclamations were issued, calling up the officers and men of the Royal Naval Reserve and Royal Fleet Reserve,<sup>1</sup> and within 48 hours, 8,000 merchant seamen had joined the Colours.<sup>2</sup> This, however, was a minor complication of the manning problem compared to that which shipowners had experienced in the past, for until the creation of a permanent naval establishment in 1852 the Royal Navy had obtained the whole of its seamen from the same source as merchant shipping. At the beginning of every war, and at every great naval crisis, the Mercantile Marine was skimmed of the cream of its personnel, to make up the complements of newly commissioned ships. The lure of prize-money attracted many men to frigates commanded by officers with a reputation for luck and daring, bounties were offered to attract men into the service, the press-gangs ransacked the ports, short-handed cruisers stopped merchantmen at sea and took out of them the pick of their A.B.s. How serious was the dislocation, a single illustration will show. On 1st February 1741 an embargo was laid on all shipping in British ports, for the purpose of ensuring the manning of the fleet ; a petition by the merchants for its removal

<sup>1</sup> *Manual of Emergency Legislation*, pp. 206-7.

<sup>2</sup> Father Hopkins, O.S.P., *National Service of British Seamen*, 1914-19, London, 1920, p. 130.

was rejected on 28th March, and it was not till 14th April that it was finally lifted, and then only on condition that the ships should give up one man in every four for the King's service, and should engage landsmen in the proportion of one-third of their crew.<sup>1</sup>

In comparison with the days of press-gangs, the present requirements of the Admiralty were trifling, but the sudden withdrawal of so many of the best seamen and firemen was not without appreciable effect on the manning of the ships, and the strain on the supply of officers was acutely felt. Of 163 navigating officers on the books of the Cunard Company, 131 had reported for mobilization by the end of 1914. The Royal Mail Company had between 50 and 60 of its navigating staff called up; their *Tamar* lost her captain and all three deck officers; the *Cardiganshire* had only her second officer left.<sup>2</sup> It is true that only a portion of the reservists were required for completing the complement of ships on the permanent Navy List; many officers and men were allocated to the merchant steamers commissioned as naval auxiliaries, or even to transports and store-ships, so that the net effect on the manning of ships in commercial employment was less than the figures would suggest. Nevertheless, the depletion of the navigating staffs, and the loss of experienced men from the lower deck, was severely felt throughout the war.

A further complication of the manning problem was the loss of some 9,000 seamen of enemy extraction who had been serving on British ships, and a reduction in the supply of neutral seamen by mobilizations in Holland and Scandinavia, and by the cessation of traffic with ports such as Antwerp and Hamburg, where many of these men had been signed on. So great, however, was the decline in traffic that no very serious shortage was experienced until a later period of the war, and all told, the reduction in the supply of seamen affected the working of the ships less than the Admiralty and War Office demands on the accommodation and facilities of the ports.

The effect of these demands was really serious. Ports such as Immingham, Harwich, Dover, Newhaven, and Southampton,

<sup>1</sup> Rear-Admiral H. W. Richmond, *The Navy in the War of 1739-48*, Cambridge, 1921, vol. i, pp. 142-3.

<sup>2</sup> Archibald Hurd, *A Merchant Fleet at War*, London, 1920, p. 12; H. W. Leslie, *The Royal Mail War Book*, London, 1920, p. 16.



selected as naval or military bases, were at once closed, wholly or in part, to commercial traffic, and at others, such as London, Liverpool, and Avonmouth, a large proportion of the berth, dock, and warehouse accommodation was set aside for naval or military use. Of the closed ports, several were engaged chiefly in the short-sea trades, and the Continental traffic was so hard hit by the war that their loss could be the more easily borne ; but the fine new port of Immingham presented great possibilities for ocean traffic, and the closing of Southampton was a very serious matter for the liner trades, as it was the British terminal of the Union-Castle Line, the chief company in the South African trade, and of the main services of the Royal Mail Steam Packet Company, the Cunard Canadian service, and other important lines.

All round the coast, too, the requirements of harbour defence and of the examination service interfered with the ordinary course of navigation. Certain of the channels in the estuary of the Thames and elsewhere were closed to merchant shipping, buoys and lights were removed or altered ; on the East Coast ships were forbidden to leave or enter the ports at night. Further, though no voyages were officially prohibited, the power of refusing insurance under the State Scheme was used to prevent ships from sailing on those considered, from time to time, to be exceptionally dangerous. Apart from this control of shipping movements, the necessary restrictions on the export of goods in the contraband categories, or required for war purposes, hampered the revival of the Continental trade.

There were, of course, many among the ships diverted from the Baltic and North Sea, in addition to those bound to Germany direct, that were carrying cargoes or part cargoes consigned to enemy firms, and such goods, whether contraband or no, were liable to confiscation. By January 1915 the list of British ships whose cargoes, or part thereof, had been seized on suspicion of enemy ownership included some 350 vessels. The majority of the ships themselves were not detained ; but in some instances serious delays were caused. The question of freight, too, gave rise to considerable difficulties. In condemning the goods, it was the practice of the Court to allow, out of the proceeds, the shipowner's claim for freight, and when goods were released on grounds of policy, as to

Allied shippers, the owner's lien was carefully preserved; but since the voyage had been interrupted, and the shipping documents were no longer valid, it was often difficult to determine the amount. As a general principle, Sir Samuel Evans, President of the Court, laid down that the owner should receive such freight as was 'fair and reasonable in all the circumstances', having regard to the extent to which the voyage had been made, to any special charges incurred, and to the benefit accruing to the cargo from carriage up to the moment of seizure. On the other hand, he decided that the owners had no legal rights to compensation for any inconvenience or delay attributable to the detention and seizure, which must be regarded as part of the general burden imposed by a state of war. Only in a few instances was compensation authorized in respect of exceptional delays, as where a ship was employed as a floating warehouse for prize cargo awaiting a more favourable market. Such payments were made *ex gratia*, and it should be added that they were authorized expressly on the ground of the 'friendly co-operation between the owners and the Crown' and the general desire shown by shipowners to assist the Admiralty Marshal in disposing of the goods to the best advantage.<sup>1</sup>

The proportion of shipping affected either by these inconveniences or by the restrictions on the Continental trade was, of course, comparatively small; but in addition to the naval and military demands on tonnage, man-power, and port facilities, there were many consequences of the war that were universally felt. On all ocean voyages ships were advised by the Admiralty to reduce the brilliancy of the lights shown at night, to abandon the normal tracks, to make as much use as possible of territorial waters, and to traverse defiles during the hours of darkness. While these instructions were well conceived from the point of view of safety, they added to the difficulties of navigation, and their interpretation often threw a heavy responsibility on the masters. To the owner, deviation represented an addition to the length, and therefore to the cost of the voyage.

Running expenses, too, increased appreciably. Insurance against war risks had to be paid for, wages advanced, the price

<sup>1</sup> *Lloyd's Reports of Prize Cases*, vol. i, *The Juno*, at p. 189; vol. ii, *The Cumberland*, at pp. 192-3; *The Iola*, at pp. 367-8; *The Corsican Prince*, at pp. 198-218.

of stores rose, and the cost of bunkers was raised both by the great Admiralty demand for coal and by the depletion of stocks at the bunker depots abroad, due to restrictions on export from Great Britain. The liner companies met the situation by imposing all-round surcharges on their goods and passenger tariffs, but to the tramp-owner the increase in working expenses was a serious matter, for the demand for shipping lagged far behind the supply, and the position of the owner on the freight markets was very weak.

This lack of demand arose not so much from any fear of losing the goods entrusted to the ships—for the State Insurance Scheme covered cargoes as well as hulls, and the actual losses at sea during the first two or three months of war were unexpectedly small—as from the effects of the universal financial crisis precipitated by the war, which proved far more difficult to shake off than the fear of capture. Even when the banks and exchanges reopened, it inevitably took some time for the commerce of the world to adjust itself to the new conditions. At one stroke the seaborne trade of Germany, Austria-Hungary, and Belgium had been wiped off the commercial map. The whole energies of France were concentrated on resistance to the tide of invasion that had already rolled over her chief industrial districts. Russian trade was restricted by the German command of the entrance to the Baltic, and the closing of the Dardanelles,<sup>1</sup> to the narrow channels provided by the White Sea and Siberian ports. Throughout the whole world shippers were compelled to seek new markets to replace those now closed to them ; importers were obliged to look for new sources of supply. In the long run, the two tendencies to some extent cancelled out ; but the necessary readjustments were not to be effected in a week, or in a month.

Nor was this all. The network of international credit was too complex and too delicate for even those trades not directly affected by the war to escape the consequences of so violent a disturbance. The shipment of maize from Argentina was paralysed by financial difficulties due to the dependence of shippers on German financial houses who were now cut off from their resources,

<sup>1</sup> The Dardanelles were not finally closed to traffic till 27 September, but the attitude of the Turkish Authorities had from the first been such as to prevent all chartering for Black Sea ports.



and for some weeks 400,000 tons of shipping suitable for the carriage of grain lay idle in the Plate ports. In India the demand for cotton goods was checked by the restriction of credit arising from the loss of the German, Austrian, and Belgian markets, and the diminution of French purchases. Chinese merchants found their capital locked up in the rich cargoes of German liners blockaded in Far Eastern ports, and were thus obliged to reduce their own orders in Europe and America.<sup>1</sup>

These are but a few leading examples of a dislocation that was everywhere felt, and was accentuated by the violent fluctuations of the foreign exchanges and by the general uncertainty as to the probable effect of the war on prices. In the grain markets, particularly, the uncertainty as to whether it would or would not be possible to ship the balance of the Black Sea surplus rendered merchants reluctant to undertake future commitments. It was by the difficulty of obtaining cargoes that the volume of trade was reduced; not by the unwillingness of shipowners to send their ships to sea, nor by any reluctance of officers and crews to face the risks of war.

The liner services, to whom regularity of sailing was a matter both of pride and of vital interest, were naturally the first to recover from the shock. Their recovery was, indeed, remarkable, when the difficulties under which they laboured are considered. As we have already seen, they were especially affected by the calling up of the Naval Reserves, and the burden of requisitioning fell equally heavily upon them. Their largest and fastest vessels were at once taken up as Armed Merchant Cruisers, and the transport of the Expeditionary Force called for a large provision of passenger tonnage. During August the Royal Mail Steam Packet Company alone had 10 ships taken, out of 28 vessels of 12 knots and upwards in their fleet. Of 13 Cunarders due to sail on dates ranging from 1st August to 5th September inclusive, 6 were withdrawn to act as cruisers or transports. By the end of August every ship of the Canadian Pacific Railway Company's trans-Pacific service had been requisitioned.

<sup>1</sup> See freight market reports and Consular Reports, especially *Lloyd's List*, 8, 19 September, 1, 31 October 1914 (Plate), 17 September 1914 (Shanghai), 19 September 1914 (Rangoon), 29 September 1914 (Calcutta), 12 October 1914 (Hong Kong); Consular Reports, A.S. 5480, *Shanghai*.

The withdrawal of a big passenger liner announced to sail on a scheduled date was no light matter. If possible, dates must be kept, approximately if not absolutely, and the requisitioned vessel replaced by another unit of the company's fleet or by a chartered substitute. When a substitute had been secured, not only must cargo be transferred, but passengers to the number perhaps of many hundreds must be warned, equivalent accommodation allotted to them in the new ship, and new tickets made out. If the day or hour of sailing had been altered, arrangements must be made with the railway companies for a corresponding alteration in the special trains. Where the port of departure had been closed, as at Southampton, inquiries must be made by wire or telephone as to the accommodation obtainable elsewhere, and the whole business routine rearranged accordingly. Late into the night the office staffs worked with feverish energy, and the narrow limits within which dislocation was kept bore striking testimony to the efficiency of the organization built up by the companies. The outward sailings of the North Atlantic lines were run approximately to schedule almost from the first; indeed, of the thirteen Cunard sailings already referred to, eight were performed by the original or a substituted vessel on the date announced, and three others after a short delay. The passenger sailings of the Royal Mail to South America were resumed with the departure of the *Alcantara* on 28th August, the operations of the line being transferred from Southampton to London and Liverpool; and by the beginning of September the majority of the big companies in the Indian, Far Eastern, Australasian, and African trades were able to announce sailings on more or less normal lines.

For tramp shipping, recovery was a slower process. The cancellation of charters on the outbreak of war, the suspension of all chartering for the Black Sea and Baltic, and the great all-round diminution in Continental business hit the tramp-owner very hard. Especially severe was the blow to the coal trade, which had provided the tramps with the bulk of their outward cargoes. In August 1913 Germany, Russia, and Belgium had taken between them 1,716,000 tons, nearly 30 per cent. of the total shipments, and the sudden wiping out of this demand threw a large amount of tonnage on to the owners' hands. Further, with a view to con-

serving Admiralty stocks and preventing contraband traffic, drastic restrictions were at first placed on all exports to neutral countries in Europe, and though these were lifted on 20th August, the effect of the embargo outlived its removal. Since the Plate ports were already over-supplied with tonnage, the bulk of the surplus shipping thrown on the market at the outbreak of war found its way to ports in the United States or to South Wales, and by the time the coal embargo was removed, the accumulation of shipping at the Welsh ports was far greater than could be readily absorbed.

North America, too, was glutted with tonnage. Although the shipments of grain rose in September to a very high figure, the liners were able to take care of a large proportion of the traffic. The situation was somewhat eased in the latter part of August by large exports of coal from Newport News to Italy and South America, where the restriction on shipments from the United Kingdom had created a scarcity, but this was only a temporary alleviation, and was quite outweighed by the total extinction of cotton chartering due to the financial crisis and the stoppage of the Continental mills—the liners proving quite equal to the satisfaction of the British demand.<sup>1</sup>

In these circumstances, tramp-ship owners were practically at the mercy of charterers. They, like the liner companies, had at first attempted to cover by an advance in freights the increase in running expenses arising from the war. Indeed, the high freights demanded appear to have had some effect, in certain directions, in checking the revival of trade. Within two or three weeks, however, the existence of a great volume of surplus shipping, and especially the accumulation of tonnage on the Welsh and North American markets, began to tell against the shipowner, and freights fell rapidly to a level which left only a bare margin on the running of the vessels, or even involved an actual loss. In Indian waters a shortage of tonnage arising from the interruption of sailings from Europe and the taking up of a large number of steamers as transports was reflected in high freights, and in some other quarters similar conditions produced similar results; but the majority of

<sup>1</sup> *Lloyd's List*, 15 September 1914; *Morning Post*, 24, 29 August 1914; Consular Reports, A.S. 5548, *Savannah*.



fixtures in the Atlantic and general trades were so unremunerative that many shipowners began to contemplate laying up their ships, on arrival, till the demand should again become effective.

But for the demands of the Transport Department the position must have been much worse, and so far from requisitioning being felt as a burden, the chance of naval or military employment was eagerly welcomed by many owners, even though the conditions of such employment remained for some weeks unsettled ; but by the time those conditions were determined the situation had again changed, and this time in favour of the shipowner. The removal of the coal embargo was followed by a smart recovery in exports ; the British imports of grain from North America remained at a high level ; heavy purchases of sugar were made in Java and the West Indies, to replace the supplies of Continental beet ; and with the passing of the initial financial crisis, the shipment of maize from the Plate went forward steadily. With so much tonnage withdrawn from commercial employment, the effect of this reviving demand was speedily felt, and by the end of October the tendency of the freight markets was distinctly in an upward direction. Before following the course of freights, however, it is necessary to say something of the scheme of State Insurance which enabled the revival of demand to make itself effectively felt, and of the terms granted to the owners of requisitioned ships.

## CHAPTER IV

### THE STATE INSURANCE SCHEME

SEVERE as was the shock to the freight markets, we have seen that the outbreak of war produced no general paralysis of British shipping. In the light of subsequent experience during four and a half years of persistent attack on commerce, as persistently defied, it is difficult to realize how great an achievement this involved, or how real and acute was the danger of an initial break-down. It had been confidently predicted for many years before the war that such a break-down would follow immediately on the outbreak of hostilities, and in order to understand how narrowly the danger was escaped, it is necessary to examine the ground of these widespread apprehensions.

The chief threat to British shipping, according to some late nineteenth-century writers, was the immunity bestowed by the Declaration of Paris on belligerent goods in neutral bottoms. This, they considered, would lead to so marked a preference being given by shippers to neutrals that British owners would be unable to obtain cargoes and would hasten to sell their ships to neutral purchasers. In support of their contentions they cited the experience of the American Civil War, when, as a result of the depredations of Confederate cruisers, no fewer than 751 ships, representing about one-fifth of the foreign-going tonnage under the American flag, were transferred to British register in the course of four years.

It seems that at one time some leading British shipowners did actually contemplate taking this course in the event of war. They appear to have anticipated little difficulty in obtaining a subsequent re-transfer of the vessels; but the critics of the Declaration of Paris pointed out that a carrying trade once lost was not so easily regained, and that a wholesale transfer of shipping as the result

of war might prove the death-blow to British supremacy at sea. The whole idea was, in point of fact, fantastic. The transfer of modern shipping—especially of liner fleets—on so vast a scale presented insuperable practical difficulties, and it was quite certain that a strong belligerent would refuse to recognize bogus transfers, or even bona-fide sales effected for the sole purpose of escaping capture. In denying the validity of such sales, Article 56 of the Declaration of London was merely giving expression to the view already taken by all leading international jurists. Even when the proposal was first mooted, the weight of expert opinion was altogether against the possibility of any large proportion of British shipping finding shelter under neutral flags. On the other hand, it was always evident that neutral shipping itself was incapable of taking over the enormous volume of trade carried in British ships. The supply of the United Kingdom with food and raw materials must therefore depend on the ability of British shipping to maintain its own normal activities.<sup>1</sup>

Had any large proportion of British shipping been laid up for some months after the outbreak of war, either through the inadequacy of naval protection or through financial difficulties, many owners would, no doubt, have attempted to sell their ships abroad. It may, however, be regarded as certain that the sales actually effected would have comprised only a small part of the tonnage on the Register, and would have been insufficient to enable even the minimum requirements of the country to be satisfied by cargoes under neutral flags. In the events which happened, the only important transfers that took place during the first twelve months of hostilities were of vessels the beneficial ownership of which was already in foreign hands.

The legal position relating to the ownership of British ships was somewhat anomalous. According to the Merchant Shipping Acts, no foreigner could own a vessel on British Register; but under British Company Law, any company incorporated in the United

<sup>1</sup> Vice-Admiral P. H. Colomb, *Essays on Naval Defence*, 2nd ed., London, 1896, Chap. VI (written in 1887); Article on 'Naval Defence', in *Edinburgh Review*, October 1888; J. Russel Soley, 'The Effect on American Commerce of an Anglo-Continental War', in *Scribner's Magazine*, vol. vi, no. 5, November 1889; Sir George Clarke (now Lord Sydenham) and James R. Thursfield, *The Navy and the Nation*, London, 1897, pp. 105-117.



Kingdom was regarded as possessing, for all practical purposes, the status of a British subject. Many foreign firms and corporations had taken advantage of this fact to acquire a controlling interest in British shipping companies, or to create subsidiary companies in the United Kingdom, for the purpose of running ships under the British flag, and such vessels were accorded all the privileges and were subject to all the obligations of British ships. The Board of Trade, however, claimed a right to cancel the registry of any ship not bona-fide British owned, and in 1902, when the International Mercantile Marine Company of New Jersey acquired a controlling interest in the White Star, Atlantic Transport, Leyland, and Dominion Lines, the Board used this threat to obtain an agreement providing that the original companies should be kept alive, with a majority of British subjects on their directorates.<sup>1</sup>

There were, in fact, several ships on the Register, the real owners of which were German subjects ; but no attempt was made, at the outset of the war, to confiscate these ships or to prevent them from trading, subject to satisfactory guarantees against remittances by the British to the German companies. The President of the Prize Court, however, expressly reserved his opinion as to the obligation of the Court to recognize the British nationality of the vessel. At a later date the House of Lords decided that, where the operations of a company incorporated in Great Britain were completely controlled from Germany, its enemy character might be assumed, and following this decision the Prize Court condemned two or three vessels whose status was affected.<sup>2</sup>

A more serious problem was that of the numerous vessels run by subsidiary companies in the United Kingdom for the Standard Oil Company, the United Fruit Company, and other American Corporations. In all, it was calculated that about 180 steamers, with an aggregate tonnage of 860,000 gross, might be affected,<sup>3</sup> and as such ships were liable both to capture by the enemy and to requisition by the British Government, there was, undoubtedly, a strong inducement to take advantage of the new law admitting foreign-built vessels to United States registry. During the first few

<sup>1</sup> Sir Douglas Owen, *Ocean Trade and Shipping*, pp. 60-1.

<sup>2</sup> *Lloyd's Reports of Prize Cases*, vol. ii, *The Tommi and Rothersand*, at p. 41 ; *The Poona*, at pp. 303-4 ; vol. v, *The Tudno*, pp. 198-212 ; *The Michigan*, pp. 421-3.

<sup>3</sup> *The Times*, 20 August 1914.

weeks of the war, over a score of steamers, aggregating some 100,000 tons gross, were actually transferred by the United Fruit Company from their subsidiary, the Tropical Fruit Steamship Company of Glasgow, to single-ship corporations in the United States, and the United States Steel Corporation formed the United States Steel Products Company to take over nine vessels hitherto run under the British flag.<sup>1</sup>

Many American owners were, however, unwilling or unready to run their ships under the United States flag, and before the transfer of tonnage reached serious proportions, the danger had been met by a measure of more general application to which we shall refer later.<sup>2</sup> Apart from these transfers to the United States flag, there were few sales of shipping to foreigners during the first six months of the war, as the dislocation of trade and the consequent slump in freights discouraged the Scandinavian and other buyers who formed the normal market for second-hand tonnage.

The real danger had always been, not the likelihood of any large proportion of British shipping passing under other flags, but the probability of a general paralysis of its activities, temporary, but uncertain in duration. Only a few months before the crisis of August 1914 an eminent authority had written that, in the event of war, 'The world's commerce will be instantaneously held up, wherever to take or keep the sea will involve the risk of capture or destruction', and again, 'The outbreak of war will be immediately followed by the holding up of a very large proportion, perhaps most, of the wheat on the way to us'.<sup>3</sup>

These apprehensions were based on the admitted facts that no degree of naval protection could secure immunity from loss and that the risk run by the individual ship could not be accurately measured. Risks, indeed, were inseparable from the shipping industry, as may be seen by a glance at any marine insurance policy, with its formidable list of 'Adventures and Perils which we the Assurers are content to bear and do take upon us in this Voyage'; but long experience had enabled them to be computed with reasonable accuracy, and they could consequently be covered

<sup>1</sup> *Lloyd's List*, 12 September 1914; *Lloyd's Register Book*, 1914-15, 1915-16.

<sup>2</sup> See p. 123 *post*.

<sup>3</sup> Sir Douglas Owen, *Ocean Trade and Shipping*, pp. 207, 217.

by insurance at a moderate premium. With war risks it was not so, and from the majority of modern policies all consequences of hostilities were expressly excluded.

This aversion of the insurance markets to war risks was a modern development, and arose from the fact that the conditions of warfare had changed so greatly since the introduction of steam as to render past experience worthless in the computation of risks, while the value of individual ships and cargoes had increased so enormously that miscalculation might well be ruinous in its consequences. For the same reason there was little likelihood of the shipowners running their vessels uninsured. A single total loss would put the small owner out of business, and even to the big liner companies the loss of two or three uninsured vessels would have consequences which the Directors, as trustees for the shareholders, could hardly be expected to face.

Even if the ships continued to run, it was doubtful whether they would obtain cargoes. The transactions engaged in by modern merchants were enormously greater, in relation to the amount of their own capital, than in the eighteenth century, and neither buyer nor seller could have bridged the gap between the delivery of the goods at the port of shipment (or their placing on the rail thereto) and their receipt by the consumer, but for the assistance of the great banking and financial houses, who were willing, for a consideration, to 'finance the goods in transit', that is to say, to advance the purchase price, on the security of the shipping documents. Of these shipping documents the policy of marine insurance was an essential part; but from the policy on the goods, as from the policy on the ship, war risks were excluded, and in the absence of insurance against war risks, even the great resources of the financial houses would hardly permit them to undertake the venture.

There was thus a grave danger that the movement of British shipping would be brought to something like a general standstill by the outbreak of war. The hold-up would, no doubt, be temporary, for public spirit or the prospect of high profits would probably induce a few of the richer shipowners and merchants to run their own risks, and as soon as experience provided any reasonable criterion as to the measure of those risks, insurance facilities



would gradually become available. Even a temporary hold-up, however, held possibilities of incalculable disaster. The whole internal economy of the United Kingdom was based on the expectation of a continuous, regular stream of supplies; the stocks of many essential foodstuffs and raw materials normally held in the country were insufficient for more than a few weeks' supply, and a paralysis of shipping lasting for even a couple of months must inevitably lead to a serious real shortage, and an even more serious shortage due to panic buying and hoarding.<sup>1</sup>

It was obvious too that, especially in the earlier stages of recovery, the premiums on both ships and cargoes were likely to be fluctuating and high, rendering forward contracts difficult and adding greatly to the cost of all imported commodities. In the days of sail, premiums had frequently risen, in the more dangerous trades, to 12 or 15 per cent. with convoy and 20 per cent. without,<sup>2</sup> and the effect of such an advance would be more serious now that so large a proportion of the imports consisted of the necessities of life, than in the eighteenth century, when they were composed mainly of luxury goods.

For these reasons, Admiral Sir George Tryon and other eminent authorities on naval warfare had urged long before the war that the State itself should undertake the insurance of war risks.<sup>3</sup> In 1905 the Royal Commission on the supply of Food and Raw Material in Time of War strongly recommended the adoption either of a system of State Insurance or a gratuitous guarantee of indemnification, and in 1907 a Treasury Committee, under the Chairmanship of Mr. Austen Chamberlain, was formed to consider the recommendations of the Commission.

This Committee reported, in 1908, adversely to either scheme. The evidence given before them suggested that some, at least, of the leading underwriters were confident that the market would be

<sup>1</sup> See *Report of the Royal Commission of Supply of Food and Raw Material in Time of War*. Cd. 2643, 1905.

<sup>2</sup> Clarke and Thursfield, *op. cit.*, p. 112. J. T. Danson, *Our Next War in its Commercial Aspect*, London, 1894, gives tables of premiums for 1805, 1808, and 1810-16, based on an examination of underwriters' books for those periods. These show cargo premiums (including marine risk) ranging up to 25 and 30 per cent. on the more dangerous routes, and in extreme instances to 50 per cent. See also George Chalmers, *An Estimate of the Comparative Strength of Great Britain*, new edition, London, 1804, pp. 308-10.

<sup>3</sup> Clarke and Thursfield, *op. cit.*, pp. 105-17; Colomb, *Essays on Naval Defences*, *loc. cit.*

able to bear the strain of war, and apart from this uncertainty as to the necessity of State support, the Committee were unable to form any idea as to the extent of the liability which the State would have to undertake, or to devise any working machinery that would give adequate guarantees against fraudulent claims.<sup>1</sup>

During the period which elapsed between the signing of this report and the outbreak of war, the situation underwent a very important change. In the first place, the reluctance of the underwriters to carry this class of risk became more clearly marked. In the second place, the principle of mutual insurance against war risks was developed by the shipowners to an extent and in a manner that not only emphasized the danger of a hold-up but suggested the means by which that danger might be overcome.

So early as 1898 the North of England Protecting and Indemnity Association had established a separate class for mutual insurance against war risks ; but it was not till 1913 that its example was followed by the formation of the Liverpool and London War Risks Association Ltd., and the London Group of War Risks Associations.<sup>2</sup> Between them these three organizations covered about 70 per cent. of the steamers engaged in foreign trade, and their existence and regulations profoundly modified the whole problem of maintaining the flow of shipping in the event of war.

The main object of the Associations was to cover the risks run by British ships, as neutrals, in a war between two foreign Powers, risks illustrated by the loss of the *Knight Commander* and other vessels in the Russo-Japanese War. The shipowners were no more able or willing than the underwriters to face in anticipation the incalculable risks of voyages undertaken during a war to which Great Britain was a party ; but it was a term of the policy that, in the event of war being declared by or against Great Britain, ships then actually at sea should be held covered until

<sup>1</sup> *Report of Committee on National Guarantee for the War Risks of Shipping*, Cd. 4161, 1908 ; *Minutes of Evidence and Appendices*, Cd. 4162, 1908.

<sup>2</sup> The London Group comprised : The Britannia Steam Ship Insurance Association, Ltd. ; The London Steam Ship Owners' Mutual Insurance Association, Ltd. ; The Newcastle War Risks Indemnity Association, Ltd. ; The Standard Steam Ship Owners' Mutual War Risks Association, Ltd. ; The Sunderland Steam Ship Mutual War Risks Association, Ltd. ; The United Kingdom Mutual War Risks Association, Ltd. ; The West of England Mutual War Risks Association, Ltd.

their arrival at the nearest port, British or neutral, in which it was safe to lie. Thus the effect of the policy was rather to increase than to diminish the danger of shipping being held up abroad at the outset of a war.

On the other hand, the existence of the Clubs provided the means of overcoming the two main difficulties that had daunted the Treasury Committee. It enabled the values on risk to be accurately estimated, and it provided a workable machinery for the settlement of claims. The time was obviously ripe for further consideration of the problem, and on 7th May 1913 the Prime Minister (Mr. Asquith) appointed a Sub-Committee of the Committee of Imperial Defence, under the Chairmanship of the Rt. Hon. F. Huth Jackson, a Director of the Bank of England,

‘ to consider, without prejudice to the question of policy, whether an administratively practicable scheme can be devised for submission to His Majesty’s Government, which will secure that, in case of war, British steamships shall not be generally laid up, and that oversea commerce shall not be interrupted by reason of inability to cover the war risks of ships and cargoes by insurance, and which will also secure that the insurance rates shall not be so high as to cause an excessive rise of prices’.

It was a term of the reference that ‘ any scheme prepared must be on the basis of reasonable contributions being paid by the owners of ships and cargoes towards the cost of insurance’. The Committee was composed of men of great note in the shipping and marine insurance world, and one of its members was Sir A. Norman Hill, who was not only Secretary of the Liverpool Steam Ship Owners’ Association, but Secretary and Manager of the Liverpool and London War Risks Association.<sup>1</sup>

In a Memorandum drawn up for the guidance of the Committee by Sir H. Llewellyn Smith, Secretary to the Board of Trade, it was suggested that the insurance of hulls should be dealt with entirely through the shipowners’ War Risks Associations, and from the first the Sub-Committee proceeded on the assumption that the full co-operation of the Clubs was an essential factor of any practicable scheme. Thanks to Sir Norman Hill, they were

<sup>1</sup> The other members of the Committee were: Lord Inchcape, Chairman of the Peninsular and Oriental Steam Ship Company; Sir Raymond Beck, Deputy-Chairman of Lloyd’s; and Mr. Arthur Lindley, a prominent Average Adjuster. The Secretary was Captain M. P. A. Hankey (now Lt.-Col. Sir Maurice Hankey), Secretary of the Committee of Imperial Defence.



able, not only to base their financial calculations on figures supplied by the Clubs, but to adapt their draft scheme to the Club rules, and to base it on an actual partnership between the Clubs and the State in the business of hull insurance. This scheme was submitted to Mr. J. Stanley Todd, Secretary to the North of England Association, Mr. H. R. Miller, Secretary of the London Group, and Mr. C. W. Gordon, President of the Chamber of Shipping, and was finally embodied in a report presented to the Government on 30th April 1914. As regards hulls, its principal provisions were, briefly, as follows :

*Policies.* The Government should make arrangements with the existing War Risks Associations to extend their standard forms of policy to cover King's enemy risks on all voyages current at the outbreak of war, up to the safe arrival of the vessel at her original port of destination, and for ten clear days thereafter. They should also make arrangements with these Clubs, or with any similar bodies approved by the State, to issue policies in an approved form, covering similar risks on all voyages undertaken after the outbreak of war.

*Warranty.* All such new policies were to contain a warranty that the vessel would not start on any voyage prohibited by the Admiralty, and would obey orders given by the Admiralty as to routes, ports of call, and stoppages. The policy should not, however, be voided by disobedience to such orders, if the owners could satisfy the Committee of the Club that such disobedience happened without privity or default on their part.

*Losses.* The State should reinsure 80 per cent. of all war risks under these approved policies, and bear four-fifths of the loss on any voyage either current at the outbreak of war or subsequently undertaken. The remaining one-fifth of the risk should be borne by the Clubs.

*Premiums.* No premium should be charged on policies covering voyages current at the outbreak of war. On all subsequent voyages premiums should be charged at a rate to be fixed from time to time by the State. A Board of Experts should be appointed to advise the State as to rates and variations of premiums. Four-fifths of all premiums received should be taken by the State and one-fifth by the Clubs.

*Values.* The basis of values should be that accepted for income-tax purposes, that is to say, the first cost of the vessel without allowance for alterations or additions, less depreciation at the rate of 4 per cent. per annum, but without any minimum limit per ton.

*Management.* Apart from the fixing of premiums, the management of the scheme should be vested in the Clubs; but each Club and its constitution should previously be approved by the State, and the State should be represented on the Committee of each Club. All claims should be dealt with and settled by the Committee of the Club in which the vessel was entered; but in the event of the State's representative objecting to a proposed settlement, the liability of the State under the policy of reinsurance should be settled (failing agreement to resort to arbitration) by the Courts of Law.

All expenses of management were to be borne by the Clubs.

*Settlement of Claims.* In the event of loss by destruction or capture, the liability of the State should be discharged by three equal instalments at six, nine, and twelve months from the date of loss or capture, with interest at the rate of 4 per cent. per annum.

*Applicability.* The scheme should apply only to vessels registered in the United Kingdom and entered in the Clubs.

In respect of *Cargoes*, it was necessary to make different arrangements, inasmuch as there was no existing organization through which the scheme could be worked. The Committee suggested, therefore, that a State Insurance Office should be opened for the insurance against war risks of cargoes shipped after the outbreak of war, the State running the whole risk and taking the whole premium on cargoes insured with such office. It was suggested further, that the value for which the goods were insured against marine risks should be adopted as the basis of the insurance, provided that the marine policies were effected with approved and reputable underwriters or insurance companies. State insurance of cargoes actually afloat at the declaration of war was considered unnecessary, as the insurance of the ships secured delivery of the goods, and it was believed that the market could take care of the risks. On the other hand, the Committee felt it impossible to restrict the State insurance of cargoes to British-owned goods, as many cargoes changed hands more than once in the course of a

voyage, and it was often difficult to say who was the owner, at any given moment, of a cargo afloat. Further, the importance of the cross-voyages between foreign ports was so great, both financially and as a factor in the supply of the United Kingdom itself, that it was impossible to exclude from the benefits of State insurance either the ships engaged in such voyages or their neutral cargoes. The Committee proposed, however, that State insurance should be strictly confined to the cargoes of ships entered in the approved Associations, and thus brought under the control of the State as regards their voyages.

In estimating the total liability thus to be undertaken by the State, the Committee assumed a loss of 5 per cent. on the tonnage actually engaged in foreign trade at the outbreak of war, and a further loss of 5 per cent. of the remaining tonnage during the first six months of the war. On this basis, the estimated liability worked out at £8,367,000 on hulls and £8,000,000 on cargoes, or £16,367,000 in all. Of the hull losses £3,460,000 would be on voyages in respect of which no premium was received ; but the Committee estimated that, provided the normal rate of sailings were maintained, the whole of the remaining losses would be covered by an average premium of 1 per cent. per voyage both on hulls and on cargoes.<sup>1</sup>

Although this report had been presented on 30th April, it had not yet received the assent of the Government when the European crisis arose. In fact, the Managers of the War Risks Associations were informed, so late as 30th July, that it was not proposed, at any rate for the present, to bring the scheme into operation. As the crisis developed, it soon became apparent that the dangers against which the scheme was intended to guard were by no means imaginary, and on 4th August, when the markets re-opened after the Bank holiday week-end, war-risk premiums on cargoes rose to 10 and even 15 per cent. By this time, however, the position had been secured. The Managers of the Associations, whose anxiety was acute, had been in constant touch with the Government, and at midnight on Sunday, 2nd August, they were informed that the Government had decided to adopt and act on the Sub-Committee's

<sup>1</sup> *Report of a Sub-Committee of the Committee of Imperial Defence on the Insurance of British Shipping in Time of War*, Cd. 7560, 1914.



Report. On 3rd August the Board of Trade initialed a slip, provisionally covering the hulls of the entered vessels on the basis of the forms of policy scheduled to the report; on 4th August the scheme was adopted by the committees of the Associations. On the same day the report was published in the press and submitted to Parliament, and on 5th August, the first day of the war, the State Insurance Office for cargoes was opened. By 6th August, practically all the liner companies that had hitherto run their own risks had joined one or other of the three great approved Associations. The agreements necessary for giving effect to the scheme were speedily executed, and the necessary financial sanction was subsequently given by the Government War Obligations Act, which received the Royal assent on 27th November 1914.<sup>1</sup>

The scheme as thus adopted differed only very slightly from the recommendations of the Sub-Committee. The chief modifications were as follows:

*Warranty.* The warranty as to obedience to Admiralty orders was extended to all Government orders, though with the full benefit of the proviso as to breaches committed without knowledge or default of the owners.

*Values.* In the original agreement between the Government and the Associations, the actual entered value of the ships was taken as the basis of insurance; but this was subsequently modified to agree with the Sub-Committee's suggestion—first cost less depreciation at 4 per cent.—with a minimum, however, of 30s. per gross registered ton.

*Settlement of Claims.* While the Committee's recommendation was accepted as to dates of payment under the policy, it was arranged that, as between the Associations and the State, a running account of premiums and losses should be kept and the balance settled quarterly. It was also agreed that, while the Associations should pay all ordinary expenses of management, the State should bear a rateable proportion of all expenses incurred in connexion with the settlement of claims.<sup>2</sup>

<sup>1</sup> 5 Geo. V, c. 11. *Manual of Emergency Legislation Supplement No. 2*, pp. 17–18.

<sup>2</sup> Texts of the agreements and policies were issued in a Parliamentary Paper, *Text of Agreements made between His Majesty's Government and the War Risks Insurance Associations*, Cd. 7838, 1915. They are also printed, together with form of cargo policy and Explanatory Memorandum as to Cargo Insurance, in the *Manual of Emergency Legislation*, Supplement No. 3, pp. 413–56.

As regards the rate of premium, the Sub-Committee had recommended the fixing of differential rates for hulls, corresponding to the varying degree of risk on voyages in different zones. They considered, however, that the cargo premium should be a flat rate applicable to all voyages, as this would greatly simplify the administration of the scheme on the cargo side, and it would always be open to merchants to cover goods on the safer routes in the open market. They recognized, of course, that this would inevitably lead to the State getting the worse and the market the better risks; but so long as the scheme ensured the maintenance of supplies by keeping down premiums to a reasonable level, this was not regarded as a valid objection to the proposal. For both hull and cargo rates, they proposed a maximum of 5 and a minimum of 1 per cent.

In practice the Advisory Board appointed by the Board of Trade, under the Presidency of Sir Douglas Owen, decided to apply the flat-rate basis to hulls as well as to cargoes. The comparative degree of danger on different voyages was not easy to estimate, and the Board felt that any apparent injustice in the operation of a flat rate was outweighed by its advantages in simplicity. For hulls, the rate was originally fixed at  $1\frac{1}{4}$  per cent. for a single trip or  $2\frac{1}{2}$  per cent. for the round voyage. For cargoes, in respect of which it was assumed that the markets would absorb a large proportion of the safer risks, the rate was fixed at 5 guineas per cent., a rate which was rapidly reduced as the real measure of the risks became apparent.<sup>1</sup>

Such were the measures adopted to meet the danger of a paralysis of shipping at the outbreak of war. It will be observed that the fundamental basis of the whole scheme was the partnership between the State and the War Risks Associations. It was this that enabled values to be accurately fixed, and the liability of the State to be estimated. It was by the skilled and experienced Managing Committees of the Clubs that the State was relieved of the whole task of administration. It was the financial interest of the Clubs in the success of the scheme, and the presence of Government representatives on the Committees, that gave the

<sup>1</sup> Premiums on cargoes were always quoted in guineas, the odd shillings representing the brokers' commission.

necessary assurance against over-valuation or fraudulent claims. It was the control over the movement of the ships given by the warranty in the policies that rendered it possible for the State to undertake the insurance of cargoes.

The right of the Government to refuse insurance on voyages considered undesirable in the national interest, or unduly dangerous, was an integral part of the scheme, and was used effectively for the control of shipping; but it was a still more essential object of the scheme to secure the fullest possible flow of trade, and this obligation was fully appreciated by the Associations. Immediately on the adoption of the scheme they sent out to their members an appeal to keep their ships running wherever it was possible to do so without incurring unreasonable risk, and the response to this appeal was altogether satisfactory. Once the scheme had got into working order, it may fairly be said that there was no holding-up of British shipping other than that due to the general financial dislocation or to Admiralty instructions in respect of particular voyages.

So manifest were the advantages of the scheme that, apart from questions of detail, little express criticism was ever directed against it. In the discussion of shipping problems, however, it was frequently implied, especially when the limitation of freights and profits was under consideration, that by accepting liability for war risks the State had shown an undue tenderness to the interests of the shipowner, or at least had bestowed on the shipping industry an uncovenanted mercy which justified the application to that industry of special measures of profit restriction.

To take this view of the State Insurance Scheme is to ignore both the peculiar position of shipping in the war economy of the nation and the terms of the scheme itself. The questions of State Control of Shipping and of freight and profit limitation raise, of course, much broader issues; they may and must be argued on other grounds; but the allegation that the State Insurance Scheme was a national gift to the shipowners will not bear examination. It is perfectly true that one effect of the scheme was to save the shipping industry from losses which, whatever their aggregate amount, must have been ruinous to individual owners. This, however, was not its main object. That object was to secure the



maintenance of supplies. Had shipping as a whole been laid up through lack of insurance facilities, the consequences would have been felt not only by the shipowners but by every inhabitant of the British Isles. The suggestion that State Insurance was adopted merely for the benefit of the shipowners illustrates the same confusion of ideas as the suggestion, also repeatedly made during the war, that shipowners enjoyed in some special degree the benefits of naval protection. It was admittedly one function of the navy to safeguard the passage of British merchantmen ; but it would be ludicrous to suppose that the maintenance of naval forces for trade protection was dictated by the interests of one particular industry. It was necessary to protect the ships because their safe arrival was a matter of life and death to the nation as a whole, and it was for the same reason that the State now gave its financial backing to the scheme that ensured their running. That such a scheme was necessary was due to the fact that the protection afforded by the navy to shipping was inevitably less complete than that enjoyed by other British industries. The Navy could and did safeguard the factories of Great Britain from the fate of those of Belgium and North-Eastern France ; it could only minimize, it could not eliminate, the risks which the ships must run daily in order that the British people should be saved from starvation.

Further, though this was often ignored in discussion, the direct benefits of State Insurance were not confined to the shipowners, but were shared equally by the owners of all cargo carried on British ships. Here again, though it was the merchant or financier for whose immediate benefit the insurance was effected, the real object of the scheme was to secure the public against the inflation of prices by extravagant premiums, and above all, by ensuring the financing of goods in transit, to ensure the flow of supplies.

It would thus have been possible to justify the scheme as a measure for the protection of essential national interests, even had the direct benefits it conferred on the shipowners been a net charge on the national exchequer. In fact, however, the scheme had an actuarial, not a subsidy basis. The premiums paid by the shipowners were, no doubt, lower than would have been demanded in the open market, but they were based on a reasoned expectation

of loss, and if the proportion of the claims for which the War Risks Associations were responsible exceeded the proportion of premiums received by them, it was by calls on the shipowners themselves that the deficiency was to be made good. We shall see, in fact, that while the State, in the long run, made a handsome profit out of the combined working of the hull and cargo schemes, the Clubs were obliged to make good, by heavy calls on their members, a large deficiency in hull premiums.

Admirably as the scheme worked from the first, it was only natural that experience should suggest directions in which it might profitably be varied or extended, and within the first few weeks of the war, two or three important modifications were made in its provisions. The first of these related to ships registered in the British Dominions and Possessions oversea. These were not originally included, as the financial calculations on which the scheme was based referred only to vessels registered in the British Isles; but the number of steamers on Dominion or Colonial Register engaged in ocean trade was comparatively small, and no great additional liability was incurred when, on 6th August, they were brought within the scheme, subject to joining one of the approved Associations.

Another class of vessel originally excluded was brought within the scope of the scheme a few days later. Although the sailing trade was a minor factor in the maintenance of supplies, the larger sailing vessels brought in cargoes, especially cereals, of considerable importance; and as the owners were unable to obtain cover on the open market, the Government agreed, as from 14th August, to reinsure 60 per cent. of the risk on vessels entered in the sailing ship owners' War Risk Association, in respect of voyages current at the outbreak of war.<sup>1</sup> Further than this they would not go until satisfied by experience that the sailing trade could be usefully maintained under war conditions. By December 1914 they were sufficiently convinced of this to extend the reinsurance to new voyages; but in view of the comparatively small amounts

<sup>1</sup> Agreement between the Government and the War Risk Association, Ltd., *Manual of Emergency Legislation*, Supplement No. 4, pp. 272-80. The schedule to the agreement shows 104 sailing vessels of 1,000 tons gross and upwards then at sea, and 19 smaller vessels.

involved they accepted liability only for 60 per cent. of the entered value, or any excess over £4,000, whichever might be the smaller.<sup>1</sup> It was not until March 1915 that they agreed to the cargoes of sailing vessels being insured by the State Office. The premiums were then fixed at double those paid on steamer cargoes, a provision fully justified by the greater length of time the goods were on risk.<sup>2</sup>

At the same time that sailing vessels were first brought within the scope of the scheme, the Government made a concession of great importance to the owners of coasters and short sea traders. Owing to the large number of voyages made annually by these vessels, a voyage premium of  $1\frac{1}{4}$  per cent. represented a much heavier burden to their owners than to those of ocean-going ships, and as the existing War Risk Clubs were dominated by the ocean-going interests, the short sea traders held a meeting in London, on 10th August, to discuss the formation of a separate association for the purpose of pressing their claims to assistance. This step, however, proved to be unnecessary. The Coastwise and Short Sea Voyage Section of the Liverpool Steam Ship Owners' Association had already represented to the Board of Trade that it was practically impossible for the owners of coasters to avail themselves of the scheme on a basis of voyage premiums, and on 13th August, three days after the London meeting, the Government announced that the Clubs had been authorized to issue time policies, covering war risks on hulls for a period of three months (ninety-one days), at a premium of  $2\frac{1}{2}$  per cent., the cost of insurance for a single round voyage. Further, if a time-insured ship were at sea on the expiration of the policy, she was to be held covered, at a *pro rata* premium, until thirty days after her arrival at a safe port.<sup>3</sup>

The effects of this concession were of great importance. Not only did it enable the short sea traders to avail themselves of the scheme: it went far to equalize the incidence of the burden of war risks insurance on vessels of varying speed in the ocean trades, and on those employed respectively on the longer and the shorter routes. It was of value also in facilitating the working of ships requiring to pass from one port to another for the purpose of

<sup>1</sup> Supplemental Agreement for New Voyages, *ibid.*, pp. 280-7.

<sup>2</sup> Explanatory Memorandum as to Cargo Insurance, Supplement No. 3, p. 450.

<sup>3</sup> Supplemental Agreement printed in Gd. 7838; *Liverpool Steam Ship Owners' Annual Report* for 1914, p. 26; *The Times*, 17 August 1914.



bunkering, or of loading and discharging cargo, before proceeding on an ocean passage.

The one case of serious hardship which still remained unprovided for was that of a tramp steamer chartered to load cargo at a port other than that in which she was lying. The ballast voyage involved was not covered by the single trip premium, and the tramp owner was naturally averse from taking out a time policy when the future employment of his ship was uncertain. To meet this difficulty the Government agreed on 1st September to treat a ballast passage not exceeding 800 miles in length as an integral part of the subsequent laden voyage, with the result that it could be covered by the single trip policy.<sup>1</sup>

With regard to cargo insurance, the only modification of principle was the announcement, on 10th August, that the State Office would insure cargoes afloat on the outbreak of war as from the first port of call. This step was rendered necessary by the high level of market quotations for such voyages, and the difficulty experienced by merchants in obtaining cover; but within the first few months of the war, as the measure of the danger could be more accurately estimated, the market quotations for all but the most dangerous routes fell below the level of the State flat-rate, and though that rate had been reduced by successive steps to 1 guinea per cent. by 31st December 1914, a large proportion of the cargo business was done by underwriters on the open market. The insurance of hulls, however, continued to be effected, practically without exception, through the medium of the approved Associations and within the limits of the scheme. The premiums under the scheme were reduced on 1st September to 1 per cent. for a single voyage, 2 per cent. for a round voyage or a three months' time policy, and on 17th December, after the destruction of the German Pacific Squadron, these rates were further reduced to  $\frac{3}{4}$  per cent. and  $1\frac{1}{2}$  per cent. respectively.<sup>2</sup>

In the achievement of its main object—the preservation of the shipping industry from paralysis and the maintenance of supplies—the success of the State Insurance Scheme was, from the first,

<sup>1</sup> *The Times*, 2 September 1914.

<sup>2</sup> For rates of premiums see *Government War Risk Insurance Schemes: Preliminary Statement of Results*, Cmd. 98, 1919. For the course of cargo insurance, see Fayle, *Seaborne Trade*, *passim*.

almost unqualified. All danger of ships being laid up for fear of capture was once for all averted, and though the Board of Trade were criticized in some quarters for their slowness to reduce cargo premiums, there is little evidence that the cost of insurance had any restrictive effect on the volume of imports. The actual entrances of British ships with cargoes at ports in the United Kingdom during the first six months of hostilities amounted to 12,235,000 tons net, a striking contrast with the apprehensions entertained before the war; and though these figures represent a reduction of about 26 per cent. on the last corresponding period of peace, this is mainly accounted for by the diminution in continental traffic and the greater average distance from which imports had to be brought.

This alone would suffice for an ample justification of the Government's adoption of the scheme; but to this great achievement there were added various incidental benefits which must not be overlooked. The partnership between the State and the Clubs, and the presence on each Managing Committee of two Government representatives, one appointed by the Admiralty, and one by the Board of Trade, was of invaluable assistance in preserving close touch and co-operation between the Government and the ship-owners. It provided an ideal channel for the dissemination of confidential Admiralty instructions, and a useful lever in enforcing obedience to such instructions. It gave the Government power to prohibit undesirable voyages. It played an important part in the development of all such measures as the equipment of insured vessels with wireless installations and the adoption of a confidential code, the arming of merchantmen, the training of officers in anti-submarine tactics, and the investigation of losses for the purpose of profiting by war experience. Yet when all is said, the importance of the scheme is to be measured mainly by the extent of the peril which it averted, by the disastrous consequences of the anticipated initial break-down, and by the activity which British shipping in fact displayed from the first in the maintenance of supplies, an activity limited only by the demands of the fighting services on its tonnage resources.

## CHAPTER V

### THE TERMS OF REQUISITION

THE right to requisition ships for naval and military purposes, which was exercised, as we have seen, from the very beginning of the war, was based not on Statute Law but on the Prerogative of the Crown. Closely as that Prerogative had been shorn during centuries of constitutional development, it had always been recognized that there were emergencies with which the ordinary processes of Parliamentary procedure were ill-adapted to cope. In moments of sudden crisis arising from war or civil commotion, it was essential that the Executive Power should be able to act with a decision and promptitude that would be impossible if it were restricted to the ordinary channels of Governmental action, and in such crises it was the admitted Prerogative of the Crown to take steps necessary for the immediate safety of the realm, without recourse to Parliament.

In many directions this Prerogative Right had been limited, modified, or over-laid by Statutes conferring the right to take emergency action within well-defined limits; but there were still fields within which its scope was bounded only by the somewhat vague limitations of the Prerogative itself, and among these was the requisition of shipping for purposes of national defence. For the exercise of this power there was a long and almost unbroken string of precedents extending from the time of the Plantagenets to the end of the seventeenth century. During the eighteenth century the practice had sunk into disuse; but this was due to the absence of necessity rather than to any change in constitutional usage.

In medieval times, when there was no permanent distinction between the trading and the fighting ships, it was by the 'stay and arrest' of vessels by Royal warrant that the bulk of the fighting fleets had been provided; but under the Tudors there set in a differentiation between the merchantman and the man-of-war



which culminated during the wars of the Commonwealth, and led to the gradual disappearance of the merchant vessel from the fighting line. Hence, ships requisitioned during the seventeenth century were mostly taken up as transports and storeships. As the supply of shipping increased, owing to the expansion of the Mercantile Marine, the necessity of requisitioning for this purpose gradually disappeared, since all tonnage required could be chartered without difficulty and at reasonable rates on the open market, and during the Revolutionary and Napoleonic Wars there is no trace of resort to compulsory powers. The Prerogative, however, was not dead but sleeping. So late as 1743 it had been expressly affirmed in the Courts,<sup>1</sup> and nothing had occurred in the Courts or in Parliament to restrain its exercise.

The reasons why it was now decided to revert to the older practice were mainly connected with the dispatch of the British Expeditionary Force to France. The demand for transports during the South African War had, as we have already seen, been sufficient to create a boom in freights, the full advantage of which had been enjoyed by the owners of vessels chartered by the Admiralty; but the simultaneous embarkation of six divisions with their artillery, horses, stores, and impedimenta was an undertaking of a magnitude for which military history offered no previous precedent, and the effect of so large and sudden an addition to the commercial demand for tonnage was likely to force up freights to a level involving very heavy expenditure. In this connexion, too, it is necessary to remember that, owing to the dependence of a steam fleet on the supply of fuel, and to the comparatively small storage capacity of modern warships, the demand of the Navy for colliers and supply ships was likely to be unprecedentedly great.

It was, however, the question of time that was the decisive factor. Owing to the rapidity of movement characteristic of modern warfare, it was probable that, in the transport of the Expeditionary Force, every day's delay might be of disastrous consequence, and however reasonable shipowners might prove, the negotiation of individual charters must inevitably be a lengthy business. It was essential that the Admiralty Transport

<sup>1</sup> *Rex v. Broadfoot*, *Foster's Crown Cases*, 154.

Department should be able to lay their hands, without notice and without appeal, on every suitable and available vessel, regardless of commercial considerations. Only by virtue of the Prerogative could this be done.

There remained the question of the terms on which ships should be taken. According to the current views of constitutional law, a subject whose property was requisitioned by the Crown for the defence of the realm had no right at common law to any payment therefor, though such payment might be made *ex gratia*, at rates determined by the Crown itself.<sup>1</sup> This contention was subsequently contested in the now celebrated *De Keyser's Hotel Case*, and though that case was ultimately decided by the House of Lords on statutory grounds, the researches then made into precedents dating from the earliest times went a long way towards establishing the right to compensation as a concomitant of the right of requisition.<sup>2</sup>

Even before the researches made in the *De Keyser's Hotel Case*, there was ample evidence that payment for requisitioned tonnage, whether as of right or *ex gratia*, had been customary from the earliest times.<sup>3</sup> Selden, the great seventeenth-century jurist, had asserted it as an invariable practice;<sup>4</sup> and though there were one or two instances in which no compensation appears to have been paid, they were both doubtful in themselves and insufficient to overthrow the authority of the established custom. In the *Ship Money Case* the point was not raised, as the question then at issue was the right of the Crown to levy a money tax, but in the eighteenth-century decisions the practice of compensation was as clearly laid down as the right of requisition.<sup>5</sup>

Whatever the legal position, there could be no doubt that, in

<sup>1</sup> See *per* Avory, J., *In re a Petition of Right*, 1915 (The Shoreham Aerodrome Case), 3 K.B., 649; 31 *Times Law Reports*, 596.

<sup>2</sup> *In re a Petition of Right of De Keyser's Royal Hotel Limited*. For a full and learned discussion of this case and of the whole question of requisition, see Leslie Scott and Alfred Hildesley, *The Case of Requisition*, Oxford, 1920.

<sup>3</sup> See M. Oppenheim, *A History of the Administration of the Royal Navy*, London, 1896, *passim*, and *The Case of Requisition*, Appendix G. Many references to such payments may also be found in *Letters and Papers relating to the War with France, 1512-13*, and *State Papers relating to the defeat of the Spanish Armada*, edited for the Navy Records Society by M. Alfred Spont and Sir John Knox Laughton respectively.

<sup>4</sup> *Dominion of the Sea*, 1652, p. 352.

<sup>5</sup> *Rex v. Broadfoot*, above cited: 'No man served the Crown at his own expense . . . owners were constantly paid a full freight.'

modern conditions, it was impossible to deny compensation to the owners of requisitioned tonnage without throwing the whole shipping industry into confusion. Further, it was clear that, in practice, the rate must be settled by agreement with the ship-owners themselves; for, as we shall see, the Transport Department required from the owners of requisitioned vessels services which could be obtained only by enlisting their voluntary and hearty co-operation.

The effect of these considerations may be seen in the Proclamation of 3rd August 1914, by which the Admiralty were empowered to requisition ships 'within the British Isles or the waters adjacent thereto', on payment to be subsequently agreed or awarded by a Board of Arbitration thereafter to be appointed.<sup>1</sup>

It will be observed that the Proclamation referred only to ships 'within the British Isles and the waters adjacent thereto'; but both the Government of India and the various Dominion Governments took power by Proclamation to requisition ships in their ports, and exercised this power over ships on United Kingdom as well as on local register. The opinion was judicially expressed, at a later date, that the Admiralty itself had no authority to requisition vessels outside the limits mentioned in the Proclamation of 3rd August;<sup>2</sup> but there are precedents ranging from the thirteenth to the seventeenth century for ships being taken up in British ports abroad, on the high seas, or even in foreign ports,<sup>3</sup> and the right of the Admiralty to requisition ships to come on service in any part of the world was not seriously disputed during the war.

An even more important and more debatable point was that as to the nature of the services to which the right of requisition applied. The emergency recited in the Proclamation of 3rd August was the necessity for 'immediate employment of a large number of vessels for use as Transports and Auxiliaries for the convenience of the Fleet and other similar services', a matter clearly covered by the prerogative right to take measures for the defence of the realm, according to the maxim *Salus populi suprema est lex*.

<sup>1</sup> No. 1247 of 1914. *Manual of Emergency Legislation*, p. 386.

<sup>2</sup> By Mr. Justice Bailhache, in *Russian Bank for Foreign Trade v. Excess Insurance Company*, 1918, 2 K.B., 123; 1919, 1 K.B., 39. The point did not directly arise in the case and remained undecided.

<sup>3</sup> Professor W. S. Holdsworth, 'The Power of the Crown to Requisition British Ships in a National Emergency', *Law Quarterly Review*, vol. xxxv, pp. 12-42.



When, however, early in the war, the Admiralty began to requisition ships for the carriage of commercial cargoes on Government account, for the sole purpose of avoiding payment of market rates of freight, it became a question whether the cheapening of commodities for civil consumption constituted one of those supreme national interests which justify the invasion of civil rights by virtue of prerogative power. At a later date, on the appointment of the Shipping Controller, statutory power was conferred on him 'to control and regulate any shipping available for the needs of the country in such manner as to make the best use thereof', and it was judicially decided that this empowered him to order vessels to load cargoes of a particular commodity and to carry them between named ports at fixed rates of freight, in other words, to requisition ships for commercial employment; but it is by no means clear that the earlier requisitioning of ships for carriage of commercial cargoes was not *ultra vires*; and it may perhaps be set to the credit of the shipowners that the point remained untested.<sup>1</sup>

As regards the fixing of hire, the procedure varied somewhat from that which had been contemplated. The original plan was that the Transport Department should endeavour to agree terms with individual owners, and that only in the event of failure to come to an agreement should the matter be referred to arbitration. For this purpose the Admiralty Transport Arbitration Board was formed, under the presidency of Lord Mersey, late President of the Probate, Divorce, and Admiralty Division of the High Court of Justice, with Mr. W. Walton as Vice-President. Exclusive of the President and Vice-President, it comprised, as finally constituted, seventy-two members, of whom eleven were Government nominees. The others included twenty-four shipowners, six bankers and cargo owners, twenty-three representatives of the marine insurance business in its various branches, two representatives of the deck officers, two of the engineers, and four of the seamen, firemen, and stewards. All or most of these were appointed by the associations representing their respective interests.<sup>2</sup>

<sup>1</sup> For the powers of the Shipping Controller, see Chapter XII, *post*. The decision referred to is that of Greer, J., in *Hudson's Bay Company v. MacLay*, 1920; 36 *Times Law Reports*, 469. See also *The Case of Requisition*, pp. 99-101.

<sup>2</sup> Admiralty Notifications of 11 August and 31 August, *Manual of Emergency Legislation*, pp. 387-95.

It was obviously desirable, however, that the arbitrators should be provided, in order to secure uniformity in their decisions, with some schedule of approximate rates applicable to particular classes of vessels, and the President entrusted the task of preparing such provisional schedules to six Sub-Committees or Panels, formed within the Board, to deal respectively with ocean passenger liners, passenger steamers in the coasting and cross-channel trades, oil-tankers, colliers, tramps, and cargo liners respectively. These sub-committees, all of which sat under the chairmanship of Lord Inchcape, Chairman of the Peninsular and Oriental SS. Co., consisted entirely of shipowners, with the exception that one Government nominee sat on each panel, and the cross-channel and tanker committees contained respectively one representative of the deck officers and one of the engineers.

The task of arriving at a reasonable basis of compensation was not an easy one. In old days the owners of requisitioned shipping received a customary rate per 'tun-tyght' as 'duly and loyally paid from time immemorial';<sup>1</sup> but there was no precedent sufficiently recent to form any guide in dealing with the conditions of 1914. At a later date, under Defence of the Realm Regulation 2 B, the general right to compensation for requisitioned property was restricted to the basis of cost, together with an allowance for profit at the rate usually earned before the war; but according to a subsequent decision this regulation was *ultra vires* in respect of goods requisitioned for the Army or Navy, as the owners of such goods had a statutory right to receipt of the full market value at the time of requisition.<sup>2</sup> In respect of ships there was no such statutory right; but on the other hand, the limits imposed by the Defence of the Realm Regulations had not yet been laid down. The Sub-Committees were accordingly obliged to fall back on their own idea of what was right and reasonable in the circumstances, taking into account the conditions of the various charter-parties under which the ships were to be run.

These charter-parties were, in each instance, sent out with the Requisitioning Letter; but inasmuch as the question of hire was still unsettled, they remained unsigned, and as a matter of fact, very few charters were ever actually signed throughout the war.

<sup>1</sup> See *The Case of Requisition*, Appendix G.

<sup>2</sup> *Ibid.*, pp. 97-9, 165-6.

Acceptance of hire without comment was held to imply acceptance of the contractual obligations imposed by the charter. That these should be accepted by the shipowner was essential; for the requisition covered nothing beyond the delivery of the ship herself. Even under the very extensive statutory powers later conferred on the Shipping Controller, it was held that an attempt to requisition the services of the owners was *ultra vires*,<sup>1</sup> and no attempt was now made to stretch the prerogative to this extent. Yet the ships by themselves were useless to the Admiralty; they had no organization capable of running the vessels, and were obliged to look to the owners for a large measure of co-operation. This dependence was frankly recognized in the Requisitioning Letter. By the first part of that document the owner was informed that his ship was requisitioned for service of the Crown; in the second part the Admiralty expressed their confidence in his willingness to render all necessary assistance in the running of the ship. The extent of assistance required was indicated by the *pro forma* charter-party annexed.

The terms of the charters varied with the employment for which the vessels were intended. All ships intended for use as Commissioned Fleet Auxiliaries, that is to say, ships used for fighting purposes, and practically incorporated in the Royal Navy for the period of the war, were taken up on 'net charter'; which meant that the Government assumed temporary ownership of the vessels, relieved the owners of all responsibility manning, for victualling, &c., and bore all expenses, including insurance against war and marine risks. On the other hand, their liability to the owners was simply the payment of hire for the use of the ship, and of compensation for loss or damage.

All other steamers, including transports, colliers, tankers, supply ships, and hospital ships, were dealt with on 'gross charter' terms, under which the owners remained responsible for certain services and the Government accepted certain liabilities over and above the bare payment of hire. The actual terms varied according to the type and allocation of the ships, but the general provisions of the charters were on similar lines.

Under these charters the shipowners were responsible for

<sup>1</sup> See Chapter XIV, *post*.



practically all that is commonly implied by 'management'. They were, as usual under a time-charter, relieved of all liability with regard to bunker coal, which was supplied on Government account from Admiralty stocks; but they remained responsible for the engagement and wages of crews, for victualling, for providing all deck and engine-room stores, boats, navigational instruments, loading and discharging gear, ballast, and water, including water for troops and horses carried. Further, they were responsible for insuring the ship against marine risks, for the cost and execution of all ordinary repairs, and for keeping the ships in a condition of efficiency. The form of charter for colliers and tankers provided for dry-docking every six months at owners' expense, and though this clause was not embodied in the troop transport charter, its provisions were applied. While in dry-dock or under repair, the ships were regarded as off service, and the payment of hire ceased.

In addition to the feeding of the crews, the owners undertook at agreed rates the provisioning of all troops or Government passengers carried. They were also responsible, though at the expense of the Government, for the supply of all medical necessities and fittings on vessels used as hospital ships.

On the other hand, the Government undertook to indemnify the shipowner against all third-party claims arising out of breaches of contract due to the requisition, to accept all war risks on the ship, and to refund all 'extraordinary out-of-pocket expenses' directly due to her employment on requisitioned service. Thus, when boats beyond the normal complement were required for war purposes, such as the embarkation or disembarkation of troops, they were either supplied or paid for by the Transport Department. The definition of 'extraordinary out-of-pockets' was not, however, by any means clear, and questions, to some of which it will be necessary to refer, were continually arising with regard to it.

In assessing the rates of hire to be paid for requisitioned ships, the Sub-Committees were undoubtedly entitled to, and did, take into account the out-of-pocket expenses for which the owners remained liable and the services they agreed to perform, some of which, such as the provision of water and the stringent regulations as to dry-docking, went beyond the ordinary obligations to a time-

charterer. Their chief difficulty was to arrive at a basis for the main factor in the calculation, the net return to which the owner was entitled.

One possible method of assessment was to base the amount of hire on the freights current when the Requisitioning Proclamation was issued. This, however, would have been grossly unfair to the shipowners, as at that date the markets had been knocked to pieces by the approach of war and had had no opportunity to show their powers of recovery. A more plausible course would have been to take the freights ruling immediately before the development of the European crisis, as representing the earning power of the ship under peace conditions. In view of the depressed state of the markets during the first half of 1914 this basis would admittedly have been very unfavourable to the owners ; but it has frequently been asked why the shipowner should be placed in a more favourable position than he would have occupied had not the war supervened to necessitate the requisitioning of his ship.

The logic of this contention is hard to follow. If the shipowner was entitled to compensation at all, he was entitled to compensation for what was actually taken from him, that is to say, the earning power of his ship at the date of requisition. This was the principle followed in the Army Acts, by which the owners of food, forage, and stores requisitioned for military use were entitled to the fair market value of their goods, or in other words, to take the same advantage of the course of the markets as owners of similar goods not required for war purposes. It is certain, however, that this course was never contemplated by the Admiralty. The shipowners themselves admitted, reasonably if not logically, that the Government could not be expected to follow the upward curve of freights arising from their own demands for tonnage, and any idea of basing hire on the rates current when each individual ship was requisitioned was excluded by the desire to find a permanent basis of assessment, no less than by the motives underlying the policy of requisition.

An alternative method, having some sanction both in reason and precedent, was to base the rate of compensation on the average profits, or average earnings per ton, of a selected period prior to the war. The chief obstacle to this principle was the wide

fluctuation of earnings and profits characteristic of the industry, in view of which it was extremely difficult to say what rate or what period could be considered as representing normal conditions. In the boom year 1900, the earnings of the Mercantile Steamship Company, a very well-managed and successful cargo-boat company, worked out at £1 15s. 1d. per dead-weight ton; in 1908 they sank as low as 4s. 11d. Within the same period, the earnings of the Oceanic Steam Navigation Company, whose accounts were published in more detail than the majority of the passenger lines, varied from £4 7s. 2d. to 16s. per ton gross.

These fluctuations were, of course, reflected in the dividends paid. Perhaps the safest criterion of shipping profits, and certainly the most illuminating for comparative purposes over a series of years, is provided by the tables annually published in *Fairplay*, based on an analysis of all accounts published during the year. These accounts do not, of course, all refer to exactly the same period, as the financial years of various companies end on different dates; but, generally speaking, the accounts published during, for instance, 1913, reflect with fair accuracy the conditions of 1912. Two tables are published. That of 'Passenger Liner Earnings' included, at the outbreak of war, companies owning rather more than a quarter of the gross steam tonnage in the Register of the United Kingdom. The companies included in the table of 'Cargo-Boat Earnings' represented a smaller proportion of the whole; but they were sufficiently numerous and sufficiently typical to afford a reasonably trustworthy criterion.

The cargo-boat table begins in 1904, when freights were on the down grade, and from 1904 to 1911 inclusive the aggregate 'Profit from Voyages', less depreciation at 5 per cent. on the book value of the fleets, shows only an insignificant margin. In two years, 1909 and 1910, there was an actual loss on this basis, which does not appear to include all overhead charges. The small average dividends actually paid were rendered possible only by diverting to that purpose earnings that should, in prudence, have been applied to writing down the fleets.<sup>1</sup>

Two good years followed, and in 1912 and 1913 the 'Profit

<sup>1</sup> The dividends paid during the years 1904-11 amounted to £2,376,000, and £2,595,000 was set aside for depreciation and reserves. Depreciation at 5 per cent. on first cost, or 6 per cent. on written down values, would have absorbed £6,441,000.



from Voyages', less 5 per cent. depreciation, gives a percentage of 5·88 and 26·50 respectively on the book value of the fleets. The accounts published in 1914 may reflect to some extent the war earnings of companies whose accounts were published late in the year; but for the most part they must represent the earnings of 1913, prior to the break in freights. The percentage was 18·10 on book values. The actual dividends distributed during the years 1912, 1913, 1914, gave an average return of 6·82, 12·56, 10·38 per cent. on the paid-up share capital of the companies. Much larger dividends could, of course, have been paid out of the current earnings; but, taught by experience, the majority of the companies devoted a large proportion of those earnings to making good the arrears of depreciation.

For the whole period of eleven years, 1904-14 inclusive, the 'Profit from Voyages', less 5 per cent. depreciation, showed a percentage of 6·48 on book values. The dividends actually distributed gave an average return of just under 6 per cent. on the share capital.

The earnings of the big lines engaged in passenger as well as cargo business cannot be so fully analysed, as the information disclosed by the published accounts is generally less complete. It is clear, however, that their earnings were subject to less violent fluctuations than those of the cargo-boat companies. For the years 1906 (when the table begins) to 1910 inclusive, the dividends showed a return on the paid-up capital varying only between 4·10 and 4·85 per cent.; during the four following years the returns were 6·06, 7·79, 10·37, and 8·26 per cent. respectively.<sup>1</sup>

These figures, however, are subject to important qualifications. In some of the great combines the promoters held management or founders' shares, the return on which was not disclosed. On the other hand, many of the companies had accumulated large reserves which were employed in the business. During the great slump the shipping industry had ceased to attract new capital, and the liner fleets had been maintained and extended largely by devoting past earnings to new construction and incurring floating liabilities on the credit of future profits. Thus the share capital of the

<sup>1</sup> The return to holders of ordinary or deferred shares was, of course, often much larger than the average return on the whole share capital. The accounts do not provide material for showing Profit from Voyages as a percentage of book value.

companies afforded no reliable guide to the total capital employed. Had the earnings been distributed over the whole of this capital, the P. & O. Company would have shown, in 1914, a return of less than 5 instead of 8·31 per cent., and the Oceanic Steam Navigation Company a return of 8·39 instead of 65 per cent.<sup>1</sup>

From this analysis it would appear that shipping, especially on the cargo-boat side, was a highly speculative industry, requiring large profits in the good years to permit of a prudent provision for the renewal of the fleets and to give an average return on capital at all commensurate with the risks. The trading profits of boom years were large; but the slump usually lasted longer than the boom, and the irregularity of the cycle made averaging difficult.

The Sub-Committees in 1914 appear to have made no attempt to fix any definite datum line on the basis of past profits or earnings. They took into consideration the terms of the charters, the profits of recent years, the actual position of the freight markets, the current level of running costs, and the likelihood of a continued rise in freights, with a probable slump after the war, and then endeavoured to fix rates that should be generally fair and reasonable, having regard to all the circumstances. These rates were embodied in a series of unanimous reports presented on 22nd October 1914, dealing with all classes of ships except colliers, as to which an agreement had been arrived at direct with the owners by Messrs. Mathwins, the Admiralty coal agents. In submitting the reports, Lord Inchcape emphasized the fact that the rates had been arrived at after full consideration of all relevant circumstances, in an honest endeavour to reconcile the claims of the shipowners with national interests, and he accordingly expressed the hope that they would neither be regarded by the Government as a maximum to be reduced by negotiation nor by the shipowners as a minimum on which to base further claims.

The reports as presented were then printed by the Admiralty and circulated in a confidential publication, from which the terms derived their common appellation of 'Blue Book Rates'. They were not, of course, binding either on the Admiralty or on the shipowners, but from the first they were accepted by both sides as a definite ruling. It was true that the resort to Arbitration

<sup>1</sup> *Fairplay*, 24 December 1914.

remained open, but it could not be overlooked that the arbitrators would be drawn from the same Board as the Sub-Committees and would certainly be guided by the reports. The shipowners could hardly, with any grace, question the fairness of rates fixed by Committees consisting mainly of their own representatives. On the other hand, each report had been signed by the Government nominee on the Panel, and Mr. A. Gear, Civil Assistant Director of Transports, had been present at all the meetings of the Sub-Committees, and had taken part in the discussions. Moreover, the printing and circulation of the reports was generally, though not quite logically, accepted as implying an endorsement of their terms. In truth, the advantage to both parties of substituting a definite scale of remuneration for the probability of numerous and possibly conflicting decisions was so great that neither side was prepared to question too closely the actual figures.<sup>1</sup>

From the tramp-ship owner's point of view the Blue Book Rates had one serious defect in that hire was payable, not as usual in the tramp trade on dead-weight capacity, but on gross tonnage. This was undoubtedly the only equitable basis in the hire of liners, and was probably applied throughout owing to the difficulty of drawing a clear line of demarcation between liners and tramps ; but it had the effect of penalizing the more modern tramps, whose dead-weight capacity was greater than that of older vessels of the same gross tonnage. Further, the cargo-liner rates were higher than those for tramps, and ownership, rather than recent employment, was made the criterion of classification, so that the owner of a first-class tramp, accustomed to load on berth, received less than the hire paid for a similar or even inferior ship owned by a liner company but employed in general trading.

From a wider point of view, the Blue Book Rates represented, on the whole, a reasonable compromise. They were much lower, on the whole, than the rates paid for vessels chartered during the South African War. Then, the rates had varied from 15*s.* to 35*s.* per ton gross, and averaged 18*s.* 3*d.* per ton for the whole period up to September 1902.<sup>2</sup> Now, the rates fixed for troop ships varied from 13*s.* 6*d.* to 17*s.* 6*d.* per ton gross ; for cargo liners from 12*s.* 3*d.*

<sup>1</sup> For figures of Blue Book Rates, see Appendix, Table 40.

<sup>2</sup> *Fairplay*, 20 August 1914.



to 15s. 3d., and for tramps from 9s. 6d. to 12s. with a reduction of 6d. per ton on liners and 1s. per ton on tramps after two months' service.

On the other hand, the Blue Book Rates gave, undoubtedly, a much better return than the average of time charters during the early months of 1914, or immediately after the outbreak of war. It must be remembered, however, that by the date of the reports the tendency to recovery had already shown itself, and that there had been considerable fluctuations in the quotations. Thus, whereas at the time of publication Messrs. Mathwins were chartering large colliers at 7s. and 7s. 6d. per gross registered ton, 2s. less than the rate fixed for similar vessels by the Tramp Sub-Committee, they had also effected fixtures at a higher rate than that now proposed. There is, however, very little point in the comparison with current freights. The Blue Book Rates were intended to apply to all subsequent as well as all previous fixtures, and the prospect of an upward movement in freights was among the factors taken into account.

More relevant is the comparison with normal profits. On vessels requisitioned for troop transports, the Blue Book Rates gave an average profit of about 10 per cent. on the book value of the ships; on tramp steamers the return was rather higher; on Armed Merchant Cruisers it was, in some instances, extravagantly high, and the rates were subsequently reduced by agreement. Speaking generally, and allowing for the special obligations accepted by the shipowners, the rates gave a return below that of boom years such as 1912 and 1913, but substantially above the average for the ten years immediately preceding the war, which included seven or eight years of acute depression.

The chief criticism to be made on the whole transaction is obvious. Although the Arbitration Board was appointed to adjudicate in the national interests on the shipowners' claims to compensation for the requisitioning of their vessels—and the right of requisition was not in dispute—the Blue Book Rates were fixed, in effect, by panels of the shipowners themselves, and were accepted by the Admiralty, without modification, as binding all past and future transactions. On the face of it, this was practically equivalent to handing over to the party whose property

was taken for national purposes the right to name his own award, and had the Blue Book Rates remained above the market level, it is probable that much more would have been heard as to the composition of the Sub-Committees. In actual fact, the market rates rose, almost immediately, much above the Blue Book level, and the fact that the Blue Book Rates had been fixed by the shipowners themselves was of great assistance in protecting the State against agitation for their increase.

Apart, however, from the effect of subsequent developments, there is much to be said, even in theory, for the course adopted. What was necessary, as we have seen, was not merely to adjust the compensation to be paid for the actual taking possession of the ships, but to secure the whole-hearted co-operation of the shipowners in equipping and running them. Over the owners' services the State possessed no compulsory powers, and it became a question not merely of exercising a prerogative right, but of concluding a bargain, without which the exercise of that right would have been worthless. From the first day of the war, the shipowners, as a class, had fully and cheerfully complied with the appeal contained in the Requisitioning Letter, in the confidence that a fair bargain would ultimately be struck. The Blue Book Rates represented the idea of such a bargain arrived at by strong panels of shipowners who were acting not merely as representatives of the industry, but with a due sense of their responsibility as arbitrators, with the concurrence of the State nominees on the Sub-Committees, and in consultation with a high official of the Transport Department itself. Had the terms proposed been manifestly unreasonable, it was perfectly open to the Admiralty to have contested them, and they would no doubt have done so; but if they were not so regarded, it was an obvious advantage that the necessary bargain should be concluded once and for all, instead of by individual negotiations.

That the bargain was not, in all the circumstances, unreasonable, may be fairly inferred from the satisfaction with which it was regarded by both parties to the transaction. On the one hand, Dr. Macnamara, Parliamentary Secretary to the Admiralty, testified that the shipowners had 'approached the matter in a reasonable spirit and with real regard to the special conditions

created by the present emergency'.<sup>1</sup> On the other hand, Sir Owen Phillips, Chairman of the Royal Mail Steam Packet Company, deprecated criticism of the Blue Book Rates by owners on the ground that they represented 'a fair compromise between national interests and justice to shipowners'.<sup>2</sup>

<sup>1</sup> *Hansard*, 20 April 1915.

<sup>2</sup> Report of Annual Meeting in *Lloyd's List*, 13 May 1915.



## CHAPTER VI

### ‘CARRYING ON’ UNDER WAR CONDITIONS

ALTHOUGH the general tendency of the freight markets, at the time the Blue Book Rates were fixed, was in an upward direction, it may safely be said that no one at that date foresaw the height to which the general level of market quotations would be forced within a few months of the conclusion of the bargain. This rise in freights led ultimately, not only to some modification of the Blue Book Rates themselves, but to an extension of the principle of requisitioning that profoundly modified the relations between the shipping industry and the State. Before analysing the causes and results of the advance, it will be well, however, to examine the more direct effects of the war on the conditions in which the industry had to be carried on during the first eighteen months of hostilities, and the manner in which shipowners and seamen responded to the new demands upon them.

Speaking generally, it may be said that, during this period, hostile operations exercised little direct influence on the movements of shipping. For six months those operations were carried on mainly by surface cruisers, under conditions much less favourable to this form of attack than they had been during the great naval struggles of the eighteenth and early nineteenth centuries. In those days the enemies of Great Britain possessed numerous bases on the English Channel and the Atlantic. From Dunkirk to Cadiz the coast-line was dotted with harbours whence frigates and privateers swarmed to the attack of shipping in the crowded terminal waters, and these were backed, at times, by battle squadrons capable, in combination, of contesting the command of the British Seas.

In such circumstances the bulk of the foreign trade was necessarily carried on in convoy, and when adequate escort was not available, shipping remained in port. Thus, in 1742, the House of Commons complained that the Portugal trade had been detained

nearly twelve months, owing to the absence of escort; and a year later, when a French fleet was in the Channel, the Jamaica convoy, though ready to sail in April, did not in fact leave England until November.<sup>1</sup>

Under modern conditions such delays would have been intolerable. The supply of Great Britain with the necessities of life depended not on the sailing of great annual fleets, but on an uninterrupted stream of weekly or even daily arrivals from the main sources of foodstuffs and raw materials; and we shall see that, when it subsequently became necessary to revert to the older methods of protection, the necessary frequency of sailings was the main difficulty in the application of the convoy system. At the outset of the war the word 'convoy' was breathed neither by the Admiralty nor by the shipowners. The German High Seas Fleet was contained by superior forces, and the attack on British and Allied commerce was carried on by a few scattered cruisers and armed liners in distant waters, destitute of protected bases, and hunted relentlessly by the British patrols. Even so, some losses were inevitable, but thanks to the State Insurance Scheme, their deterrent effect was small. It was only when a raider was known to be operating in the immediate neighbourhood of a port that, usually on Admiralty instructions, shipping was held up to any appreciable extent. Indeed, owners chafed, at times, against the Admiralty instructions themselves, considering that only very serious risks could justify restrictions on the flow of traffic.

Taken as a whole, the operations of the surface raiders had little effect on the movement of ships and cargoes. Indian shipping was held up for a short time by the *Emden*, the trade of the West Coast of South America by the *Leipzig* and the German Pacific Squadron; but on no other route was the flow of traffic seriously affected. The success obtained by the *Karlsruhe* and other raiders operating in mid-Atlantic was strictly confined to the actual value of the ships and cargoes destroyed. Throughout the period of their greatest activity, the stream of shipping steadily increased.<sup>2</sup>

In January 1915, when the submarines made their first

<sup>1</sup> Richmond, *The Navy in the War of 1739-48*, vol. i, pp. 187-8; vol. ii, pp. 102-3.

<sup>2</sup> See Fayle, *Seaborne Trade*, vol. i, *passim*.

effective appearance as commerce raiders in the English Channel and Irish Sea, the situation was changed. Once again, the impact of the attack was shifted to the terminal waters, where shipping was thickly concentrated and dispersal difficult; but neither the early successes of the submarines nor the so-called 'Submarine Blockade' produced any appreciable effect on the activity of shipping. The lists of sailings, the figures of entrances and clearances, the columns of the shipping press, reveal no trace of panic. A few days' suspension of certain services in the Irish Sea, a slight rise in the rates for cargo insurance on the open market, the alteration of a few sailing dates, make up the sum total of the disturbance. Even when the sinking of the *Lusitania* showed once for all the lengths to which the enemy were prepared to go; even in August 1915, when the losses of British shipping rose to nearly 150,000 tons in a single month; the submarine campaign failed of its intended deterrent effect. It became necessary at times to hold back outward sailings for a few hours when a submarine was reported off a port, but there was no general diminution in the volume of traffic. The fixed services continued to run; the tramp continued to seek and obtain charters.

Most striking in its contrast to older days was the absence of any panic demands for protection, or attempts to interfere with the Admiralty's discretion in the disposal of naval force. In the eighteenth century, the Admiralty had frequently been embarrassed and naval strategy at times deflected by the clamour of ship-owners and merchants. Again and again the shipping and mercantile interests sent up petitions, direct or through Parliament, for the strengthening of trade protection squadrons, for more frequent convoys or stronger escorts, and if their complaints were sometimes justified, they showed too frequently a culpable ignorance of or indifference to the general demands of the strategic situation. In 1695, and again in 1708, the shipping interests actually succeeded in forcing the Government to establish a special trade defence squadron, the ships composing which were taken out of the hands of the Admiralty and rendered unavailable for general purposes. In 1742 a Bill having a similar purpose was thrown out with some difficulty.<sup>1</sup>

<sup>1</sup> Richmond, *op. cit.* i. 188-9.



No such unworthy clamour marked the progress of the world war. Some criticism there was of the protective measures adopted, but in the main the tone of the shipping press was moderate, and restrained, even in criticism, by the fear of hampering the Admiralty in the fulfilment of its gigantic task. At no time was the enormously powerful organization of the industry itself employed to deflect by commercial considerations the strategy of the war.

This propriety of conduct may fairly be attributed in part to a general increase of public spirit, of which we shall note other illustrations, in part to the mutual understanding arising from the close co-operation existing between the Admiralty and the great War Risks Associations. The effect of this co-operation was clearly visible in the attention paid to the confidential instructions circulated by the Admiralty through the Associations themselves, the Corporation of Lloyd's, and the Consular Offices and Naval Intelligence Officers abroad.

The one weak link in the chain was the absence of any close touch between the Admiralty or the Board of Trade and the deck officers who were actually responsible for carrying out the instructions. In their anxiety to interfere as little as possible with the discretion of the Masters, the Admiralty habitually framed their instructions in the form of advice rather than of definite orders. The Masters, as a general rule, would have preferred the responsibility to be taken out of their hands. They had no experience of war conditions, but on the other hand, had an ingrained sense of responsibility for quick passages, low coal consumption, and safe navigation. A wide departure from the normal tracks involved delay in arrival and increased coal consumption. The use of unaccustomed channels and the dimming of navigation lights entailed an increased risk of stranding or collision. Should the ship be cast away through failure to observe the ordinary precautions, the Master was liable under the Merchant Shipping Acts, and from this liability he could only be freed by definite and unmistakable orders, indemnifying him against all possible consequences of their performance.

On the whole, the instructions were well observed. There were, undoubtedly, instances in which they were disregarded, and

more in which they were misunderstood. Ships in Home Waters blundered into mine-fields they could easily have cleared by following the course given them; ships deviating from their normal ocean track ran down another equally frequented route. On the other hand, intelligent deviation in the South Atlantic played a large part in reducing the number of losses, and most of the ships captured by the *Karlsruhe* and her compeers were the victims of sheer mischance. In Eastern seas several vessels were thrown away by adherence to the normal tracks, or by failure to dim lights; but these errors were largely due to statements as to the safety of the routes issued by the local authorities, in apparent conflict with the Admiralty instructions. Instances of wilful disobedience to direct commands, involving official penalties, were few, and though some cases of culpable negligence were visited with dismissal, the owners showed themselves honourably reluctant to throw over men who had rendered them faithful service and were now guilty only of an error of judgement.

With greater experience came greater efficiency, and when the *Moerwe* was on the trade routes in 1915-16, her commander bore emphatic testimony to the success of the British system of warning and diversion. The question of navigation lights, however, long continued to be a sore point with Masters, as the navigational risks of obscuring lights were particularly great in the narrow and crowded seas in which the submarines chiefly operated. There was considerable reluctance also to abandon the practice of making well-known landfalls and seamarks, such as the Fastnet and Tuskar, though it was at such points that the submarines habitually waited for their prey.

Neither among officers nor men was there the least sign of reluctance to face the risks of war. Even when ship after ship had been torpedoed without warning, when crews were turned adrift in open boats at a distance of a hundred miles from land, when the boats themselves were fired on, the only result was to harden the British seaman's determination to play his part to the full, in the struggle against an enemy who had outraged the old traditions of the sea. Men whose ships had been torpedoed under them, or blown up by mines placed, in defiance of international law, in the highways of commerce; men who had suffered

hunger, thirst, and cold in the long pull to land, signed on again, as a matter of course, for another voyage exposed to the same perils.

When such a spirit was shown by the crews of defenceless ships, it may be imagined with what alacrity the seamen assumed a more active role when the means of defence and retaliation were supplied to them. The record of the Merchant Marine as a fighting force was, indeed, long and glorious. Even after merchantmen had ceased to form an integral part of naval armaments, ships in the foreign trade continued to carry guns for defence against pirates in peace and enemies in war. Heavy penalties were enforced against Masters who yielded their ships to pirates or sea-rovers without resistance, and the larger vessels were encouraged, by remission of customs duties, to carry really formidable armaments.<sup>1</sup> With the decay of piracy and the growth of naval protection, armament ceased to be the invariable rule; but down to the close of the Napoleonic wars, the majority of the larger merchantmen carried guns on every voyage, and there were occasions when they beat off the attack not only of the enemy's privateers but even of his ships of war. It was not till the Declaration of Paris, in 1856, abolished privateering, and the progress of naval development rendered resistance to the smallest regular cruiser hopeless, that the practice fell into general disuse.

With the introduction of the Armed Merchant Cruiser, the possibility of effective resistance to a raider again emerged, and during the two years immediately preceding the war, the Admiralty arranged that about forty British liners should each mount a pair of 4·7 in. guns astern, for the purpose of beating off assailants of this class. That the right of resistance remained unimpaired, there can be no question. That right had, indeed, been challenged in 1913, on false analogies from land warfare, by two German lawyers, Dr. Schramm and Dr. Triepel, both intimately connected with the German Admiralty; but it was explicitly asserted by a still higher German authority, Dr. Hans Wehberg, in a book published after the outbreak of war, and was recognized by an Appendix added in June 1914 to the German Prize Regulations

<sup>1</sup> See, for instance, the Statutes, 16 Car. II, c. 6; 22 & 23 Car. II, c. 11; 5 & 6 William and Mary, c. 24.



themselves. It had been admitted in the American Courts, it was recognized in the Prize Codes of the leading naval Powers, and was almost universally accepted by the leading writers on international law in all countries.<sup>1</sup>

To the submarine, highly vulnerable as she was to gunfire, defensive armament was the obvious reply, and during the summer of 1915 the Admiralty set in earnest about the work of arming the Mercantile Marine. There was at first, however, some doubt how defensively armed ships might be received in neutral ports, in view of the strict obligation of neutrals to prevent the conversion of merchantmen into warships within their jurisdiction, or the use of their harbours as bases for the attack on commerce. For some months the regulations imposed by the United States Government were so strict, and so inconsistently applied, as to prevent any effective arming of the ships in the North Atlantic trade ; but their attitude proved to be exceptional, and the majority of neutral Powers insisted only on a formal declaration that the guns would be used only for defensive purposes. Holland alone refused absolutely to receive defensively armed vessels in her ports.

A greater obstacle to the extension of defensive armament was the shortage of guns. So far as this arose from the pressing needs of the Army and Navy, it was accepted as inevitable ; but as the submarine campaign grew in intensity, there were bitter complaints by shipowners as to the lavish provision of guns for the defence of home towns against occasional air or naval raids, while the ships and crews, on whom the feeding of the people and the winning of the war alike depended, were being exposed, unarmed, to a persistent and ruthless attack. For several months the supply was sufficient to arm only vessels of special importance, such as transports and frozen meat ships ; but under continuous pressure from the shipowners' associations and the Transport Department, it was gradually increased. Even so, it was not until the autumn of 1916 that so many as half the ocean-going merchantmen under the British flag had been fitted for guns.

The cost of fitting the guns was borne by the Admiralty, but

<sup>1</sup> For a full discussion, with reference to authorities, see Dr. A. Pearce Higgins, *Defensively-Armed Merchant Ships and Submarine Warfare*, London, 1917.



since the owner as well as the nation benefited, no compensation was paid in respect of any delays incurred thereby. In addition to providing the guns, the Admiralty also provided leading ratings to work them;<sup>1</sup> the remainder of the gun crews and the ammunition carriers were chosen from the ship's complement. How well these men adapted themselves to their new duties, and how skilfully the Masters manœuvred their ships, the story of many a smart and plucky action can show. Nor was the keenness of the men at all diminished by the knowledge that defensively armed ships were specially singled out by the enemy to be sunk without warning, even when American protests had compelled some degree of general compliance with the accepted rules of visit and search. Although the instructions to defensively armed vessels expressly forbade all offensive action, by which the ship would have forfeited her commercial *status*, and laid down that an encounter should always, if possible, be avoided, they permitted fire to be opened on a submarine which 'deliberately approached or pursued' the vessel. To deny this would have been to render the right of resistance wholly nugatory; but it sufficed, in the German view, to convert the merchantman into a warship, against whom all forms of attack were permissible.<sup>2</sup>

Fine as were the achievements of the Mercantile Marine as a fighting force, we are here concerned rather with the manner in which the ordinary business of the shipping industry was carried on under war conditions. In this respect also it may fairly be said that both owners and men rose to the demands of the occasion, and gave loyal support to the Authorities. As freights advanced, there was inevitably some grumbling as to the extent, and still more as to the unequal incidence, of the burden of requisition; but the confidence expressed in the Requisitioning Letter, that owners would render all necessary assistance in the running of the ships, was, with very few exceptions, fully justified. All through 1915 and the early months of 1916 the number of vessels under requisition was on the increase; during the winter of 1915-16 ships

<sup>1</sup> By the end of the war 11,500 R.N. and R.N.R. gunners were being carried in 4,303 ships.

<sup>2</sup> The instructions were published, in full, in *The Times* of 3 March 1916. For a refutation of the German contentions, see Pearce Higgins, *op. cit.*, and Professor Raleigh C. Minor, in *Proceedings of American Society of International Law*, April 1916.

were being taken up at the rate of 100 a month. This increase was due partly to the demands of the Allies for assistance, partly to the requirements of the Dardanelles Expedition, and owing to the constant changes of policy with regard to that expedition, it was frequently impossible to give more than a few days' notice of requirements.<sup>1</sup> That all the demands made on the Transport Department were met promptly and in full was a tribute to the zeal displayed by the owners in manning, victualling, and storing the ships, and bringing them forward for their new employment, as well as to the energy of the officials.

Here, too, the men played their part. It has already been hinted that in the summer of 1914 the relations between employers and employed in the shipping industry were far from happy. Questions of wages, overtime, and accommodation were productive of much discontent, a strike of sea-going engineers had actually broken out, and overshadowing all minor controversies lay the refusal of the employers to recognize the National Sailors' and Firemen's Union. Since the great strike of 1911, the Shipping Federation had been reorganized frankly with a view to strengthening it as a fighting force, and on both sides preparations were going forward for a renewal of the struggle. Thus, when war broke out, the situation was full of danger; but the Executive of the Union were resolved that the nation's peril should not be seized on as the seamen's opportunity, and decided at once that all agitation and propaganda should be entirely suspended. At the same time the engineers called off their strike. Seeing that most men are more tenacious of their rights than of their blood, the proof of patriotism thus afforded was at least as striking as the readiness of the seamen to face the risks of war.<sup>2</sup>

It was not long before they were called on for more direct assistance to the national cause. Although the shipowners were responsible for the manning of requisitioned vessels, the Transport Department were naturally anxious with regard to the supply of seamen and firemen for the great volume of tonnage employed in

<sup>1</sup> Sir Julian S. Corbett, *Naval Operations*, vol. ii, *passim*; Fayle, *Seaborne Trade*, vol. ii, pp. 170-1.

<sup>2</sup> For an account, illustrated by many documents, of negotiations as to wages and conditions during the war, see *National Service of British Seamen, 1914-19*, by Father Hopkins, C.B.E., O.S.P. (a Trustee of the National Sailors' and Firemen's Union), London, 1920.

the transport of the Expeditionary Force, and on 13th August the Executive of the Union were called to a conference on this question with the Admiralty and the Board of Trade. At this conference the Admiralty agreed to pay a flat increase of £1 a month to all men engaged for service on transports, to cover the increased risk,<sup>1</sup> while the Union Executive promised, on their part, to use their whole influence to ensure a prompt and adequate supply of men. This promise was well kept, and on 15th September the Admiralty addressed to the National Transport Workers' Federation (to whom the Seamen's Union was affiliated) an official letter of thanks for the splendid work of all those who had assisted, on the ships or in the docks, in the success of an oversea movement without parallel in military history for magnitude, speed, and efficiency.

As the prevailing rates of wages for able seamen and firemen in ocean-going ships varied, at the outbreak of war, from 100s. to 110s., and 105s. to 120s. respectively, the flat increase of 20s. a month represented a very substantial increase; but in view of the risks to which merchant seamen were now exposed, it could not be regarded as excessive, and though the original arrangement related only to ships in Government service, a similar advance was readily conceded by the owners to men employed in trading vessels.<sup>2</sup>

During the initial slump in freights, this addition to the wages bill bore hardly on the tramp owner; but by the end of 1914 freights had risen to a level which, when all increases in running expenses were taken into account, rendered the shipping industry more remunerative than it had been in the experience of the oldest owner. Meanwhile prices had also risen, and though men on monthly articles were fed at the shipowner's expense, the cost of living for their dependants, and for themselves when ashore, had increased to the same extent as for the general public. In these circumstances, the Union asked, in January 1915, for an additional £1 increase for men on transport service.

<sup>1</sup> They also paid a quarterly bonus to the Masters of transports for efficient discharge of their duties with regard to care of Government cargo, &c.

<sup>2</sup> Seamen on foreign-going ships are paid by the month, and the wages are exclusive of the cost of food, which is found by the owner. In ships in the Coasting and Home Trades, the men are paid by the week and find their own food.



In reply to this demand the Admiralty put forward a counter-proposal. They had no objection to the suggested increase of pay, but they were anxious to obtain over the crews of transports the same control as they had over those of commissioned vessels. They accordingly stated that they would be willing to grant an additional increase not of £1 but of £2, making £3 in all, on condition that the Unions would agree to the crews of transports coming under the Naval Discipline Act.

The reception of this offer was profoundly significant. Although the advance proposed amounted to an increase of some 33 per cent. on the average wages at the outbreak of war, the men would have none of it. Seamen and firemen shared to the full the average worker's instinctive shrinking from anything bearing the remotest resemblance to industrial conscription, and in the proposal to introduce Naval Discipline on transports they saw the thin end of the wedge. Further, there was no right or privilege to which the seaman clung more tenaciously than the right to his discharge at the end of each completed voyage and to free choice in the selection of his next ship. Enrolment for continuous service seemed to him to threaten not merely transference to any vessel the Admiralty might select, but life in barracks between voyage and voyage, and he would have none of it. In June 1915, after the January proposals had been finally turned down, the Admiralty, the shipowners, and even the Union leaders themselves, put forward a scheme of enrolment, without naval discipline, for the period of the war; but the mass of the men uncompromisingly refused. They were willing enough to submit to naval discipline in commissioned auxiliaries, and they agreed later to its introduction in six of the largest troopships and in a few non-commissioned vessels engaged in semi-combatant service; but as regards the great bulk of requisitioned ships under the merchant flag, they would accept neither naval discipline nor any system of enrolment.

There is much in this episode that throws a flood of light on the general attitude of labour during the war. Any accusation of shirking or lack of patriotism against the men of the Mercantile Marine would universally be recognized as absurd; but they were as firm in their resistance to anything they regarded as



an interference with their economic freedom as in their refusal to be terrorized by the German submarines. To the merchant seamen, their right to be governed by the code of the Merchant Shipping Acts, to choose their ship, to negotiate freely the conditions of their employment, appeared to be part of the tradition, the conception of life for which they were fighting. Their ingrained suspicion of any proposal put forward by their employers or by the Government may often have been unreasonable; but its origin must be sought in the past history of the industry and the peculiar conditions of their employment, not in any lukewarmness in the national cause.

It is easy, nevertheless, to understand the desire of the Admiralty for the introduction of a stricter code. Admirable seaman as he was, the British sailor had defects which were a serious danger in time of war; he had no excessive regard for the sanctity of contracts, and he was traditionally apt to recompense himself, by a spree ashore, for the hardships and perils of his life afloat. The facilities for saving afforded by the later Merchant Shipping Acts, the provision of Seamen's Homes, and the general improvement in conditions had done much to diminish the evils of failure to join after signing on, and joining in a state of intoxication, but had not cured them; and during the summer of 1915, when the transport work increased both in volume and urgency, the effect of these evils became very grave. At a mass meeting of Liverpool seamen in August, Commander Currie, R.N., the Port Transport Officer, was able to quote, without contradiction, an instance of a transport which was 200 short of its complement on the day of sailing, and had finally to ship 150 men so drunk that many of them had to be carried on board.<sup>1</sup>

It was the danger of delays caused by inability to ship crews, or to ship them sober, that inclined the Admiralty towards some form of maritime conscription, and the Union Executive, in resisting all such proposals, were not unmindful of their responsibility. As preventive measures they suggested the restriction of facilities for obtaining drink at the dockyard gates, and the imposition of penalties under the Defence of the Realm Acts for failure to join requisitioned vessels. Both these measures were

<sup>1</sup> Father Hopkins, *op. cit.*, Appendix XIII.

adopted. The Executive believed, however, that satisfactory results could only be obtained by enlisting the good feeling of the men themselves, and they accordingly issued a national appeal begging the men to remember the importance of the issues at stake, and to see to it that the misconduct of a minority was not allowed to bring their fellows into disrepute. The general response to this appeal was good, and thanks both to the measures suggested by the Union Executive and to the continuous exertion of their influence, the evil gradually diminished until it had sunk to negligible proportions.<sup>1</sup>

With regard to the actual supply of seamen, whether for the transport service or for ordinary mercantile employment, there was some difference of opinion, leading to no little friction, between the owners and the Union. The total reduction in the number of men available was stated, in the spring of 1915, as about 15 per cent. According to the National Sailors' and Firemen's Union, this reduction represented simply the disappearance of the normal margin of unemployment, and they supported their contention by figures which showed 14½ per cent. of the white sailors and firemen, British and foreign, available in 1911, to have been unemployed in April of that year. They asserted, therefore, that any apparent shortage at the ports was due simply to defective organization of the machinery for engagement.

There can be no doubt that the number of men seeking ships normally exceeded the number required, and that many employers in the shipping, as in other industries, regarded a permanent fringe of unemployment as a healthy spur to activity and a check on extortionate demands. On the other hand, the men unemployed in April 1911 must have included a large number who would in any event be enjoying a brief spell ashore, and no percentage can fairly be based on the assumption that sailors would normally spend the whole twelve months at sea. Whatever was the actual margin of unemployment, the owners contended that it had been fully absorbed. Not only had it been necessary to replace enemy aliens and reservists called to the colours, but the ships taken up as commissioned auxiliaries and many vessels in the transport

<sup>1</sup> See Father Hopkins, *op. cit.*, pp. 22-3, and *Defence of the Realm Regulations*, 10A and 39A.

service required an addition to their normal complement ; so that the decrease in numbers available for commercial employment was greater than the reduction of the total supply.

There undoubtedly was frequent difficulty in manning vessels, and so early as December 1914 the President of the Clyde Ship-owners' Association proposed the abolition of the Board of Trade language test, in order to permit the employment of Asiatics to make good the deficiency. This was the real source of trouble. While the seamen were ready to accept the employment of Lascars in ships trading in or to Eastern waters, the increasing tendency in recent years to employ Chinese stokers in ships in general trade was regarded as an attempt to lower the general standard of wages and conditions in the industry, and every complaint as to difficulty in manning ships was now regarded as a mere excuse for signing on Chinamen.

So far as requisitioned vessels were concerned, the Transport Department had laid down from the first that the Master, officers, and engineers must be British subjects, and that the crews should so far as possible be British or British coloured, and under pressure from the Union they issued strict instructions that no Chinese should be carried except those already engaged in Eastern waters. As regards vessels engaged in commerce there was no such restriction, and in October 1915 the Union put in a list of twenty-nine ships for which 620 Chinese had been engaged since the outbreak of war.<sup>1</sup>

With the general attitude of the Union towards the employment of Chinese it is easy to sympathize ; but this does not necessarily imply acceptance of their contentions as to a general conspiracy on the part of the owners. In point of fact, the employment of Chinese seamen made little difference to the total wages bill, as, although the pay of Asiatics was lower than that of whites, their employment necessitated an increase in the manning scale. On the other hand, it was believed that some owners and Masters preferred to ship Chinamen, as more docile and amenable than white crews. In the main, however, it would appear that the increase in the number of Asiatics engaged was due to actual necessity. While there is little evidence of any

<sup>1</sup> Father Hopkins, *op. cit.*, Appendix VII.



grave general shortage of men at this period, there undoubtedly were frequent local shortages. These may have been due in part to a defective organization of engagements; but this could not be remedied by a stroke of the pen, and an owner unable to obtain a satisfactory white crew for his ship by her sailing date can hardly be blamed for signing on Chinese ratings if available.

This, however, was only one among many difficulties under which the owners laboured in the working of the ships that remained available for commercial employment. Forward chartering was hampered by the rapid increase in the number of vessels under requisition and the short notice given of requirements, since commercial fixtures were always liable to be overridden by the exigencies of the naval and military situation. The working of the lines, whose services were liable to continual dislocation, was still more seriously affected. In the spring of 1915 just half the tonnage owned by the Royal Mail Steam Packet Company was in Government employ; down to the end of that year 42 out of 60 P. and O. steamers had been at one time or another in the service of the Admiralty, and 31 were still under requisition in December.<sup>1</sup> Of 73 liners employed by members of the Liverpool Steam Ship Owners' Association in the North Atlantic Trade, 43 were under requisition in October 1915. Yet by re-arranging services, chartering tramp tonnage, and diverting vessels from the less to the more important routes, the main services were everywhere maintained with little reduction in their efficiency, and efforts were even made to build up new services or extend old ones in compliance with war requirements, or to take advantage of the withdrawal of German shipping. Thus Glasgow extended its services in the Gulf to supply the Southern States with ammonia formerly imported from Germany; new direct lines from Manchester to the Continent and to West Africa relieved some of the pressure on the older ports; the Royal Mail extended its Pacific services to Vladivostok in order to take part in the supply of Russia via the Siberian Railway, and British shipping replaced German at some Chinese ports.<sup>2</sup>

Even greater than the difficulties of the ocean liners were those

<sup>1</sup> *Statist*, 8 May and 11 December 1915.

<sup>2</sup> *Lloyd's List*, 2 September 1914, 8 April, 5 July 1915; Consular Reports, A.S. 5599, Kiangchau.



of the short sea traders. As the activities of the submarines—at first directed against warships, later against merchantmen—grew in daring and range, the restrictions on navigation, especially in the North Sea, increased in stringency. The North Sea itself was full of British and German minefields; navigation on the eastern coast of England was confined to a narrow swept channel, and the voyage to Dutch or Scandinavian ports could be made in safety only by strict adherence to the routes confidentially communicated by the Admiralty. Many of the fixed services had to be transferred to new ports, owing to the use of the usual ports as naval or military bases, or to the necessity of avoiding danger areas. Thus, in September 1914, the Wilson Line's Christiania service was transferred from Hull to Liverpool, and in the following month the Flushing-Folkestone service was transferred to Tilbury. The prevalence of mines in the North Sea led to a gradual shifting of both the fixed services and the tramp traffic, first to more northerly, and later to western ports; the closing of the Firth of Forth in December 1914 diverted the traffic of Bo'ness and Grangemouth to Methil and the Clyde.

Ocean and short sea traders were alike affected by the congestion of the ports arising from the withdrawal of labour for military service, and from Admiralty and War Office demands on port and railway facilities. By the end of 1914 the delays to ships in British ports had already become very serious, and as we shall see, these delays were regarded by the owners as one of the chief causes of the shortage in carrying power and consequent advance in freights. In French and Italian ports conditions were still worse, and the total effect of congestion at home and abroad was to reduce very appreciably the annual carrying power of the available shipping. Further, these delays added greatly to the difficulty of the shipowner's business, since they interfered gravely with the regularity of the fixed services, and rendered it impossible to calculate with any approach to accuracy the date when a tramp or collier sent to, say, Bordeaux or Genoa would be free for a new voyage.

An additional source of delay was the necessity of complying with the formalities imposed in respect of licensed shipments of 'prohibited' exports. There was now a long list of commodities

the export of which was thus restricted, and in May 1915 much alarm was caused by an Order in Council prohibiting the export of coal to all destinations other than British Possessions and Allied Countries. Although the prohibition was purely a precautionary measure, and licences were freely granted by the War Trade Department, acting in conjunction with the Coal Exports Committee, the first effect of the Order was to bring coal chartering almost to a standstill, owing to the general uncertainty as to the policy of the Government and to the delays entailed by obtaining licences. The original regulations required a ship to be named in the application for an export licence, and as contracts were usually concluded before a steamer had been fixed, this provision involved a serious interference with the usual course of trade. The Chamber of Shipping, however, took up the matter in co-operation with the exporters, and permission was obtained to apply for licences to export by a named ship, or substitute, or by a ship to be named later, together with other concessions which practically eliminated delays.<sup>1</sup>

In respect to many articles of minor importance, it was frequently urged by the shipowners that the interference with trade entailed by the export regulations outweighed their value as a blockade measure. Yet some restrictions were clearly needed, for there can be no doubt that during the first half of 1915 large quantities of goods exported or re-exported from the United Kingdom to Holland and Scandinavia ultimately reached the Central Powers. The facts were known, and they have been made the occasion for bitter criticism of shipowners and merchants; but it must be remembered that the Government had always full power to prohibit exports considered undesirable, and that much of the most criticized traffic, as in tea, coffee, and cocoa, was deliberately permitted, either in deference to neutral or colonial interests, or with a view to damaging the enemy financially by permitting his import of what were then held to be luxury commodities.<sup>2</sup>

<sup>1</sup> Order in Council of 6 May 1915, *Manual of Emergency Legislation*, Supplement No. 4, pp. 222-3; subsequently extended to shipments to Allied Countries by Order of 3 August 1915, *ibid.*, pp. 252-3; *Lloyd's List*, 8, 10, 12, 21 May, 5, 8, 9 June 1915; *Statist*, 28 August, 8 September, 2 October 1915; *Annual Report of Chamber of Shipping*, 1915-16, pp. 13-14.

<sup>2</sup> See Rear-Admiral W. P. Consett, *The Triumph of Unarmed Forces*, *passim*, and *Seaborne Trade*, vol. ii, pp. 137-9.

So long as these exports were permitted, it was generally impossible for the shipowner to discriminate between the parcels tendered him for carriage to neutral consignees. Where discrimination was possible, the generality of owners appear to have acted with a proper sense of responsibility. Thus, early in the war, when suspicion was aroused that cargoes of grain to Italian ports were finding their way to Germany, many tramp-owners loading grain in North America or Argentina refused absolutely to accept charters containing a Mediterranean option.<sup>1</sup> In the same spirit the lines in the Brazilian trade refused cargoes of coffee, even when destined for British neutral markets, on account of the German origin of the shipping firms, and only resumed loading on the express assurance of the Government that the trade was not considered to be undesirable.<sup>2</sup> Palpably correct as was the attitude of the owners in both instances, it was in striking contrast with the activity of British shipping in the contraband trade during the eighteenth-century wars, when British and Colonial ships played no small part in rendering St. Eustatius a vast entrepôt for the French West Indies, or even with the volume of illicit traffic during the great Napoleonic struggle.<sup>3</sup>

Equally illustrative of the great advance in the standard of commercial conduct was the attitude of the underwriters. In the earlier part at least of the eighteenth century, the insurance of enemy ships against capture by British cruisers was a regular and lucrative branch of the business of marine insurance, and was publicly defended as a means of extracting tribute from France and Spain.<sup>4</sup> Under the Trading with the Enemy Acts no such transactions were possible, but there was a distinct danger that policies on neutral ships and cargoes might, in fact, cover trade intended for the enemy; and even before official action was taken in the matter, the Liverpool and London War Risks Associations took steps to ensure that all consequences of seizure or detention by British and Allied cruisers should be expressly excluded from such policies. The result was an immediate

<sup>1</sup> *The Times*, 23 October 1914.

<sup>2</sup> *Seaborne Trade*, vol. i, p. 171.

<sup>3</sup> As illustrating how recent is the growth of the modern feeling with regard to trading with the enemy, it may be noted that even in the Crimean War of 1853-5 a considerable indirect trade was carried on between the belligerents. See J. T. Danson, *op. cit.*

<sup>4</sup> Richmond, *op. cit.*, vol. iii, pp. 248-9.



diminution in certain branches of neutral traffic, which bore witness not only to the necessity of this measure but to the importance of the British marine insurance market as an instrument of blockade. Indeed, before cotton was declared contraband, the chief obstacle to the shipment of cotton to Germany appears to have been the refusal of the American branch offices of British companies to insure the cargoes.<sup>1</sup>

It will be seen that, apart from the actual damage inflicted by the enemy, the business of shipping was hampered, during 1915, by numerous and formidable obstacles. The full effect of these obstacles and of the general redistribution of trade occasioned by the war will become apparent when we examine the causes of the advance in freights ; but before considering the economic position of the industry, it is fitting that we should sum up very briefly its contribution to the war effort.

By December 1915 the shipping in direct naval and military service had reached a total of well over 6,000,000 tons gross. Very nearly 5,000,000 troops and attendant non-combatants had been carried oversea, with all their arms, artillery, horses, and impedimenta.<sup>2</sup> The armies in France and Gallipoli and the minor theatres of war were supplied by British shipping with food, ammunition, and stores. The Navy in home waters and on foreign stations was supplied with coal, oil, fuel, ammunition, and stores. The Northern Patrol and the work of trade protection in distant waters was carried on largely by Armed Merchant Cruisers ; the Auxiliary Patrol and mine-sweeping service, recruited, ships and men, from the Mercantile Marine and the fisheries, played a large and invaluable part in the defence of Home Waters. In addition to the tonnage already mentioned, a large amount of shipping had been placed at the disposal of the Allies.

Meanwhile the ordinary trade of the United Kingdom had still to go on, in order that the troops and the people might be fed, the materials for war and civil industries procured, and the war

<sup>1</sup> *The Times*, 19, 20 October 1914 ; *Lloyd's List*, 4 December 1914, quoting *New York Journal of Commerce* ; Cuthbert Maughan, 'British Oversea Commerce in War Time', in *Quarterly Review*, January 1915, No. 442 at p. 257.

<sup>2</sup> This, of course, includes repeated passages, as of men brought to the United Kingdom and then sent abroad, men returning for leave and then rejoining the forces, &c.



financed. The tonnage required for naval or military employment had been partially made good by the withdrawal of shipping, through the ordinary operation of the freight markets, from trade between foreign ports. The liners, whose passenger trade had largely vanished, converted much of their steerage accommodation into cargo space. Liners and tramps alike were loaded to the utmost limit of their capacity. By one means or another, the carrying power per voyage of vessels in the import trade had been increased by at least 25 per cent., and despite the smaller number of voyages made, due to losses, requisitioning, port congestion, and redistribution of traffic, the volume of imports during the first eighteen months of the war was within about 12 per cent. of the normal. There could be no stronger testimony to the ability and enterprise with which the business of shipping was carried on.

## CHAPTER VII

### THE RISE IN FREIGHTS AND VALUES

So far as concerned the fulfilment of its special functions, the shipping industry had undoubtedly deserved well of the country. Although the course of the war on land led to far greater demands on its resources than had ever been anticipated, British shipping had not only met those demands promptly and in full, but had maintained the stream of imports at a level which enabled the main industries of the country to be kept in full operation, and the normal standard of life to be sustained.

For these services, however, a price had to be paid. We have already seen that, when once the markets had recovered from the initial dislocation, freights began to rise, and by October 1914 stood higher than they did just before the outbreak of war. When once it set in, the reaction was rapid and violent. By November 1914 the general run of quotations was well above the level of the corresponding period of the previous year; by the beginning of 1915 freights on the majority of routes had soared to far greater heights than they had ever attained during the boom of 1911-13. The highest points reached at any time during the earlier period by the average monthly freights on wheat from New York, Karachi, and down-river Plate ports were, respectively, 16*s.* 9*d.*, 23*s.* 4*d.*, and 27*s.* 5*d.* per ton; for January 1915 the figures were 29*s.* 10*d.*, 35*s.*, and 61*s.* 4*d.*, and for March 37*s.* 7*d.*, 52*s.*, and 67*s.* 8*d.* As compared with July 1914, Plate grain freights had risen by no less than 400 per cent., and the quotations for grain and cotton from North America, rice from Burma, and jute from Calcutta showed equally or almost equally startling advances. Outward coal freights to Genoa touched 35*s.* a ton, against a high-water-mark of 14*s.* 6*d.* in 1912, and on some routes, such as those to the Canaries and Port Said, the carriage of coal cargoes had trebled or quadrupled in cost since the outbreak of war.<sup>1</sup> These

<sup>1</sup> See also Appendix, Tables 27 ff.

were all exceptional instances, and there were wide variations in the measure of the advance, both as between commodities and as between route and route, but speaking generally, it may safely be said that freights on bulk cargoes were seldom less than two or three times the figure for July 1914, and exceeded by at least 100 per cent. the record of the boom years.

This remarkable advance in freights was accompanied by a continuous rise in the cost of living which, though it fell far short of what was yet to be endured, and even of the experiences of previous wars, pressed hard on the poorer sections of the population. In these circumstances, and having regard to the wide publicity given to the freight market reports, it was not, perhaps, surprising that a large number of people should have set down the whole of the rise in prices to the increase in freights, and the whole of the increase in freights to the rapacity of the shipowner.

Neither of these conclusions will bear examination. The effect of freights on prices was smaller, the causes of the advance more complicated, than was commonly supposed. An analysis of these causes is essential to any understanding of the conditions in which the industry was working. The effect of freights on prices belongs more properly to the history of war-time trade ; but the popular belief on the subject coloured so strongly the general attitude towards the industry itself that it cannot be passed without some examination.

In the first place, it should be observed that freight charges constituted normally only a very small proportion of the cost of imported commodities. For the years 1901, 1906, and 1909, the average gross freights were estimated to represent about  $6\frac{1}{2}$  per cent. of the total import values carried in the seaborne trade of the world ; for the boom year 1912, 7.4 per cent.<sup>1</sup> In other words, a rise of 100 per cent. in freights, assuming other factors to remain constant, would add less than  $7\frac{1}{2}$  per cent. to the 1912 import values, even if the whole of the advance were borne by the consumer. The freight on articles of high value in relation to bulk usually represented quite an insignificant proportion of the total cost ; in respect of bulky commodities of low value, the proportion was naturally greater ; but generally speaking, freight fluctuations

<sup>1</sup> *Liverpool Steam Ship Owners' Association, Report of October 1915.*



exercised no very serious influence on the level of prices, save in so far as high freights might affect, by discouraging importations, the relation of supply to demand, and the relation of supply to demand was affected by many other factors far more seriously than by the cost of transport.

The war-time rise in freights was, of course, altogether abnormal, and had other factors been constant, must have been clearly reflected in the course of prices. Those other factors, however, were profoundly affected by the war, and the rise and fall in f. o. b. prices, due to the effect of the war on supplies, played a much larger part than did the cost of transport in determining the level of prices in Great Britain.

In some instances the war reduced consumption without restricting supplies, and then no advance in freights prevented a fall in prices. Thus, the stoppage of the Continental mills combined with a bumper cotton crop to produce a glut that threatened to be ruinous to the Southern States. The result was that while the average cotton freights in March 1915 were double those of 1913, and nearly three times as high as in 1914, the spot-price of Mid-Atlantic cotton was about 25 per cent. lower than in either of those years.<sup>1</sup> Again, the cessation of German trade and the seizure of contraband cargoes ensured ample supplies of copper and rubber in the United Kingdom; restrictions on the export of tin-plate reduced the demand for tin; the chief Continental markets for oil-seeds—Hamburg and Marseilles—were closed or disorganized. Hence, despite the rise in freights, copper, rubber, and oil-seeds were all cheaper during the early months of 1915 than during the corresponding period of the previous year. Wool too, of which ample supplies were available, hovered around the normal price.<sup>2</sup>

On the other hand, there were many articles the supply of which had been grievously restricted. All commodities normally imported in large quantities from the Baltic, such as butter, flax, and timber, showed a great increase in price, attributable mainly to the diminution in supply.<sup>3</sup> It is, however, in respect of commodities the cost of which had risen though the main sources of

<sup>1</sup> See Appendix, Table 37.

<sup>2</sup> See Appendix, Table 38.

<sup>3</sup> See Appendix, Table 38.

supply were still available that the influence of freights can be most profitably studied, and among these were the two great staple foodstuffs, bread and meat, to which public attention was chiefly directed.

In meat freights the average advance did not exceed  $\frac{1}{2}d.$  per lb. The majority of the Companies in the New Zealand trade, and one at least of the leading South American lines, were bound by long-term contracts which forbade any immediate advance at all.<sup>1</sup> Yet the average import value of frozen beef had risen by nearly  $2\frac{1}{2}d.$  and of mutton (imported chiefly from New Zealand) by  $1\frac{1}{2}d.$  per lb. The explanation was that the demand had increased; the Board of Trade were buying heavily on War Office account, and France, not normally an importer of meat, had entered the market for the supply of her troops. At first, too, supplies had been somewhat restricted by the financial difficulties of the South American freezing works, and by a shortage of insulated tonnage in Australasian waters, due to transport requirements.

It was grain freights, however, that showed the most remarkable advance, and the price of bread that caused the greatest discontent. By March 1915 the price of the quartern loaf had risen to  $8d.$  against  $5\frac{3}{4}d.$  on 1st August 1914; and the enormous increase in grain freights appeared to many people to afford a simple explanation of this disturbing fact. Yet evidence taken before a Committee of the House of Representatives in Washington showed that, while the price of the loaf had risen by  $2\frac{1}{4}d.$ , the rise in North Atlantic grain freights amounted to less than  $\frac{3}{4}d.$  on the wheat employed in its production. Taking all sources together, the average freights on wheat during the first twelve months of the war exceeded by  $3s. 1d.$  per quarter and  $4s. 5d.$  per quarter respectively the average freights for the twelve months to July 1913, and 1914; the price per quarter, on the other hand, was greater by  $15s. 8d.$  and  $16s. 2d.$  respectively than in those periods. Even if War Risk Insurance be included, the cost of sea transport accounts for no more than  $5s. 2d.$  of the  $16s. 2d.$  advance on the prices of 1913-14.<sup>2</sup>

Unquestionably the chief factor in the increasing cost of bread

<sup>1</sup> *Report of Shipping Freights and Charges Committee to the New Zealand House of Representatives*; *Hansard*, 10 June 1915 (Mr. Runciman).

<sup>2</sup> See Appendix, Tables 34 and 35.

was the advance in grain prices abroad. The closing of the Black Sea not only cut off a source of supply from which unusually heavy shipments were being made to the United Kingdom when war broke out, but drove the Mediterranean countries—France, Italy, and Greece—to seek in North America the satisfaction of their demands. Bad harvests in Scandinavia added to the intensity of international competition, and the complete failure of the Australian crop further restricted the sources from which the competing demands could be fulfilled. The inevitable result was a rise in f. o. b. prices, which set in some time before the advance in freights and had far more influence on the ultimate price to the consumer than the cost of transport. A close examination both of import values and retail prices will show, in fact, that the curve of the advance proceeded, to a great extent, independently of the course of freights. An increase of freights was by no means invariably followed by a corresponding advance in prices; when freights were stationary or falling, prices often continued to advance.<sup>1</sup>

The advance in freights, though undoubtedly a factor in raising the cost of imports, was thus neither the only factor nor even the most considerable. In itself, however, it was a phenomenon of such importance both to the industry and to the nation that its causes will well repay analysis.

By those who laid the chief blame for high freights at the door of the shipowner, much stress was laid on the extent to which the industry was controlled by gigantic combines, with the result of eliminating all effective competition, even between nominally independent lines. Reference has already been made to these combines and to the ‘conferences’ in which lines actually independent were grouped for the purpose of demarcation of interests and regulation of freights. The majority of these Conferences had been formed as the result of bitter experience of ‘rate wars’, and their avowed intention was to stabilize freights and to freeze out or absorb competitors who would not accept the Conference schedule. They covered pretty completely the outward liner trades to South America, Africa, India, Australasia, and the Far East, and regulated also a portion of the homeward traffic.

<sup>1</sup> See Appendix, Table 34.



In the North Atlantic, a very important exception, only passenger rates were liable to Conference regulation.

A prominent feature of the Conference organization was the system of deferred rebates, by which shippers were bound to ship their goods in vessels of the Conference lines, on pain of forfeiting a rebate, usually amounting to 10 per cent., on the gross freights paid during the half-year. This system had produced much criticism, official investigations in Great Britain and the United States, and a not very successful attempt at interference by the South African Government. It obviously introduced into large sections of the shipping industry an element of monopolistic power, potentially dangerous. On the other hand, the liner companies argued with much force that the benefit of an assured regular service and of freedom from the daily fluctuations of the freight market could only be given where there was a reasonable assurance of stability in the volume of traffic.

Moreover, the monopoly was nowhere complete. Any attempt to impose really extortionate rates might provoke the starting of a new service; lines which were in conference for the purpose of a particular trade competed freely on another route, or even in the return traffic; everywhere there was the actual or potential competition of the tramp. It was the competition of the tramp, especially, which prevented the homewards trades, in which bulk cargoes predominated, from being so closely regulated as the export traffic.

On a general survey of the mass of contradictory evidence adduced on either side, there seems little reason to believe that, down to the outbreak of war, the Conference system had imposed any serious burden on trade, while it had done much to moderate the fluctuations of freights. Its general effect was to keep liner rates a little above tramp freights at their lowest, a little below them at their highest.<sup>1</sup>

On the outbreak of hostilities the majority of the liner Conferences announced the imposition of surcharges ranging from 20 to 50 per cent. on both goods and passenger rates. The higher of these surcharges were considerably greater than was necessary

<sup>1</sup> *Report of the Royal Commission on Shipping Rings*, Cd. 4668, 1909; Sir Douglas Owen, *Ocean Trade and Shipping*, pp. 62-8; Kirkaldy, *British Shipping*, pp. 174-202; Hough, *Ocean Traffic and Trade*, pp. 159-99.



to cover the initial increase in running expenses ; but the conditions were extremely uncertain, and the companies, who were doing their best to maintain services, naturally desired to be on the safe side. On the other hand, the increased rates bore heavily on the export traffic, and led to strong protests by shippers, especially of cotton goods. For the moment there seemed to be some danger that the recovery of the export trade, which already had many difficulties to contend with, might be seriously hampered ; but the liner companies were too deeply interested in maintaining the volume of the export traffic to impose an unnecessary obstacle to its recovery, and as the situation cleared up and the cost of war risk insurance fell, the surcharges were rapidly reduced.<sup>1</sup> The rates on the majority of routes remained well above the August level ; but this was accounted for, to a large extent, by the actual increase in running expenses due to war risk insurance, wage advances, and the high cost of bunkers.

Far from the Conference system being responsible for the increase in freights, the regulated freights stood, generally speaking, well below the general market level in the non-regulated trades. By March 1915 the increase in homeward grain freights ranged up to 400 and in outward coal freights up to 300 per cent. These rates were, of course, exceptional ; but the average advance in non-regulated freights was at least 100 per cent. On the other hand, the majority of regulated freights stood at only 15 to 25 per cent. above the peace level, and the extreme limit of advance was only about 40 per cent.<sup>2</sup>

Under war conditions, the Conference regulations, which permitted rates to be altered only after due notice, eliminated competing quotations for individual cargoes, and preserved continuous relations between shipowners and shippers, were undoubtedly a moderating influence on freights ; but neither for good nor for evil did they seriously affect the great bulk imports, such as cereals and the more important raw materials. In other respects also the conditions varied greatly between the two streams of traffic.

<sup>1</sup> For example, the Mediterranean surcharge was reduced, on 8 September, from 50 to 25 per cent. ; the South and East Africa surcharge, originally 33½ per cent., was reduced to 25 per cent. as from 24 August, and to 20 per cent. as from 5 September, and to 15 per cent. as from 16 January. See also Appendix, Table 31.

<sup>2</sup> See *Lloyd's List*, 13 April 1915, Report of Houlder Line Annual Meeting ; *The Times*, 2 March 1915, on freights in the Eastern trades ; and tables in Appendix.

The one factor common to both was the increase in running expenses. Moderate as were the premiums under the State Insurance Scheme, the cost of insuring a steamer on a time basis worked out, in 1915, to 6 per cent. per annum on her insured value; on a voyage basis it might run up to 8 per cent. The premiums for marine insurance were higher than before the war, and underwriters' quotations for the insurance of freight were at the same rate as hull premiums under the State Scheme, 15s. per cent. for the voyage, or 30s. for three months.<sup>1</sup> The cost of all stores and provisions had increased, and though the seamen had refused the Admiralty offer of a £3 increase with Naval Discipline, economic conditions sufficed by July 1915 to secure an additional £1 a month, making £2 a month in all since the outbreak of war, both on transports and commercial vessels. Port expenses too were on the up grade, and the cost of bunkers had become a very serious item. At Port Said and the Canaries bunker coal had advanced in price by £1 a ton or more, mainly owing to the increased cost of transport, and even at ports in the United Kingdom prices were steadily rising, owing to the enormous demands of the Admiralty. Taking all these factors together, a shipowner, writing in the *Shipping Gazette* of 7th January 1915, stated the increase in running expenses at about 3s. 9d. per ton, while Mr. W. W. Jones, a leading Bristol Channel owner, estimated it, later in the month, at 6s. per ton for the Plate voyage.<sup>2</sup>

Whichever figure be taken—and it was, of course, a continually increasing figure—it is obvious that the increase in working costs, while it fully accounted for the liner surcharges as they stood in March 1915, affords only a very partial explanation of the extraordinary rise in homeward freights, whether by tramp or liner, on the great bulk cargoes. Yet there is no evidence of any concerted attempt at extortion. From the first moment when the revival of trade led to a demand for tonnage at rates sufficient to cover the increased cost of running, shipping came freely on to the freight markets, and a comparison of the import figures with those of tonnage entered proves that the ships were carrying, on the average, heavier cargoes than in times of peace. There was,

<sup>1</sup> *The Times*, 30 April 1915.

<sup>2</sup> *Morning Post*, 23 January 1915.

indeed, no need for owners to hold back with a view to forcing up freights ; on the contrary, every British and foreign owner with ships or space to be fixed found himself inundated with competitive offers.

This was the crux of the whole freight problem, and in order to appreciate fully the effect of the war on freights, it is necessary to keep constantly in mind the highly competitive and international character of the shipping industry, and its responsiveness to the general course of the world's commerce. Attention has already been called to these characteristics ; but in view of the prominence assumed by the freight question during the war, a few words of recapitulation may be permitted.

In the first place it must be remembered that neither was trade with the United Kingdom confined to British ships, nor British shipping confined to that trade. The supply of food, raw materials, and manufactured goods to the United Kingdom was assured, in time of peace, by the operations of a vast body of shipping, of which only about 60 per cent. flew the British flag.<sup>1</sup> A considerable proportion of the whole, amounting in respect of British ships to rather more than one half, consisted of liners running on fixed services to the United Kingdom ; the remainder was made up of general traders or tramps having no fixed itinerary. In addition, liners and tramps under the British flag played an important part in the carriage of goods between ports outside the British Isles. The liner services were capable of a considerable degree of readjustment in accordance with the fluctuations of demand, and the tramp tonnage, whether British or foreign, was absolutely fluid, passing from one trade to another, in accordance with the pull of the freight markets. For all practical purposes, the tramp tonnage under all flags, together with a certain proportion of the liner space, formed a world pool of carrying power, from which the fluctuating demands of all trades and all countries could be met. Thus not only were British importers subject to international competition in the purchase of supplies abroad, but the greater part of the tonnage required for the carriage of their purchases had to be procured in international competition for the available

<sup>1</sup> This is the proportion of British to total tonnage entered with cargoes. The proportion of imports carried in British ships is estimated as 74 per cent. (see Chapter I).



carrying-power. Similarly each import trade was in competition with the importers of all other commodities, and each individual importer in competition with his rivals, for the tonnage that could be attracted to British ports.

Conversely, the British shipowner was in increasing competition with foreign owners for the privilege of carrying the trade both of the United Kingdom and of foreign countries. In certain directions and to a limited extent, the freedom of the freight markets was restricted by the system of Conferences in the liner trades ; but speaking generally, the conditions of the shipping industry were particularly unfavourable to concerted manipulation, and the industry itself peculiarly responsive to the free play of economic forces in a world market.

It was, therefore, the relation of world requirements to the total carrying-power available that determined the general level of freights. If that carrying-power was more than equal to the demands upon it, the individual shipowner could procure a charter only by under-bidding his competitors. If the total cargoes on offer exceeded the available carrying-power, the individual trader could procure space only by offering a higher freight than his rivals were prepared to pay. The destination of the tramp and the allocation of liner space were alike determined by the competitive needs of individual traders in all countries, as manifested in the freights on offer for particular commodities and particular voyages. It is probable, too, that effective demand was here a more accurate criterion of real needs than in some other industries, for though the value of luxury goods enabled them to bear high freights, their total volume was too small to bring them into effective competition with the foodstuffs and raw materials that provided shipping with the bulk of its employment.

The ships themselves, it must be remembered, were one element only of carrying-power. That power depended not only on the tonnage available, but on the number of laden voyages that could be made in a given space of time, and this, in its turn, depended on the average length of the voyages, the proportion of laden to ballast passages, and the extent to which the time spent in port could be cut down by rapidity in loading and discharge. The best guarantee of efficiency in all these respects, and of such



stowage as would ensure the carriage of the maximum cargo on each voyage, was provided by the fact that the shipowners' remuneration depended directly on the number of voyages performed and the quantity of cargo carried.

Of all the factors that go to make up carrying-power, that least affected, during 1915, by the consequences of the war, was the actual volume of shipping available for commercial employment. Great as was the reduction in the world's available tonnage due to losses, requisitioning, and the immobilization of German and Austrian shipping, it did not, probably, much exceed the reduction in the total volume of cargoes on offer. The effective carrying-power of the ships was, nevertheless, inadequate to the demands upon it. In the first place, there was a general tendency towards longer voyages. A large amount of bulky traffic that normally followed the short sea tracks was now carried on by means of ocean voyages. Great Britain was obliged to replace from Java, Mauritius, Cuba, the British West Indies, and South America, some million and a half tons of sugar annually imported before the war from the Continent of Europe. France, Italy, and Greece were turning to North America for wheat and oats, and to South America for maize normally derived from the Black Sea. Everywhere it was the nearer sources of supply that failed, the shorter routes that were most impeded by war conditions.

Longer voyages meant, of course, fewer voyages in a given space of time ; but it was not only by lengthening voyages that the redistribution of traffic affected carrying-power. The rapidity with which British shipping effected the necessary readjustment illustrates in the most striking way the elasticity derived from a high proportion of tramp tonnage ; but the readjustments took time, and since they involved a wide departure from the normal course of trade, they led inevitably to an increase in the number of long ballast voyages, the cost of which had to be covered by the homeward freights, while the waste of carrying-capacity increased the shortage of tonnage.

Every circumstance of the war tended in the same direction. Deviation to avoid danger areas added to the length and cost of voyages. The requisition of steamers fixed for a voyage, or in a position to load cargo, necessitated cross movements by vessels

brought in to fill the gap. The dislocation arising from the hold-up of shipping by the *Emden* and the German Pacific Squadron was felt, to some extent, even after the raiders themselves had been disposed of. The local shortages arising from requisitioning in India and Australia, and from the immobilization of German liners in Indian and Far Eastern ports, where they had been specially prominent in the general trade, forced up freights on the routes directly affected, and created a strong pull running somewhat counter to the general current of the new tonnage distribution.

Above all, the redistribution of trade, by concentrating it in narrower channels and forcing a larger proportion through the ports best fitted by position or equipment to deal with large steamers and long-distance traffic, greatly contributed to increase the port congestion to which reference has already been made. At the end of January 1915, it was estimated by a prominent ship-owner that not less than 1,500,000 tons of shipping were held up in British, French, and Italian ports owing to inability to discharge, and the delays frequently ran into two or three weeks.<sup>1</sup> It is probable that no single factor contributed more powerfully to the decline in effective carrying-power and the advance in freights.

For outwards cargo, other than coal, the liner services, by the aid of chartered or purchased substitutes for vessels sunk or requisitioned, were able to provide ample accommodation, at rates increased only, or mainly, by the increase in working expenses. For coal exports tonnage was very short, owing to the demands of the Fleet. For the great bulk imports space could be procured only by an ever-increasing concentration of shipping on the restricted sources of supply, and since the capacity of the available tonnage was less, in existing conditions, than the demands upon it, the competition of individual shippers or importers for the tonnage on offer continually increased in keenness, and found its natural reflection in the enhanced cost of transport.

How far a British shipowner was able to profit by the high level of freights depended, of course, on the proportion of his tonnage that remained free from requisition. That proportion varied widely as between owner and owner. A statement made in

<sup>1</sup> Mr. Philip Runciman, in *Morning Post*, 30 January 1915.

Parliament at the beginning of 1916 as to the proportion of ships under requisition from various typical companies showed a variation from 21 to 59 per cent.,<sup>1</sup> and in the early months of 1915 the general disproportion was unquestionably greater than it became towards the end of the year. Some companies, whose steamers were specially suitable for transport work or fleet attendance, or happened to be in port at a time when emergency demands had to be met, lost every vessel, or nearly every vessel, in their fleet ;<sup>2</sup> others, whose ships were less suitable in type, or more fortunate in their arrival dates, had only one or two taken. Thus owners who were making the largest proportionate contribution of tonnage for direct war service saw their competitors reaping enormous profits from market conditions of which they themselves could take little or no advantage. The injustice was flagrant—the more so as, while the majority of the owners had freely placed their ships at the disposal of the Authorities, there were some who had deliberately sought to evade requisition, by seeking employment for their ships in distant waters—and strong representations on the subject were made to the Admiralty by the Chamber of Shipping and other representative Associations.

These representations were not without effect. The unequal incidence of the burden of requisitioning was known to and regretted by the Transport Department ; but the small and overworked staff of that Department had little leisure to consider anything except the search for available vessels with which to meet the demands of the fighting services. On 7th February, however, the Prime Minister appointed a strong Advisory Committee, composed entirely of leading shipowners, to assist in supervising the employment of requisitioned tonnage. With the assistance of this Committee it became possible to give greater attention to commercial considerations in taking up ships for naval or military service. Immediately after their appointment, the Committee set to work to analyse the proportion of tonnage withdrawn from the various fleets, taking both number of ships and length of service into consideration, and working out the result in ‘ ship-days ’. With this information in their hands, they were able to secure

<sup>1</sup> *Hansard*, 27 January 1916 (Mr. Macnamara).

<sup>2</sup> e. g. The Tatem Steam Navigation Company had, at one time, 13 of their 18 steamers in Admiralty service, *The Times*, 13 July 1915.

the release of many ships taken from owners whose fleets had been the most depleted, and their replacement by the ships of owners who had hitherto escaped lightly. To assist in this policy of ‘ proportionate requisition ’ the Transport Department sent out, in April, a circular requesting owners to keep the Admiralty advised of the movements of their ships in order that emergency requirements might be more readily met with due regard to equality between owner and owner. The fuller information thus obtained was used also to prevent, so far as possible, the requisitioning of ships already fixed for a voyage, hitherto a continual source of grievance.

By the admission of the shipowners themselves, this system of proportionate requisition did much to rectify the injustice of which they had complained, and to equalize the incidence of the burden ; but the short notice frequently received of military demands, especially in connexion with the Dardanelles campaign, hampered its working ; and however carefully it was worked, the variety of types and the paramount importance of suitability for war service rendered a large degree of inequality inevitable. Nor was this the only hardship arising from the wide divergence between Blue Book and market rates. Although the terms of requisition provided for an indemnity against third-party claims, this indemnity did not cover the indirect effects of interrupting a fixed service, or the obligations of a tramp-ship owner under running contracts in which the ship was not specified. Not only were the great lines driven to charter for the maintenance of their services, but many tramp owners, especially in the coal trade, were obliged to fulfil their obligations with British or neutral steamers obtained at market rates, while their own vessels were earning the bare Blue Book hire.<sup>1</sup>

It must be borne in mind, too, that the Blue Book Rates were not only relatively but actually less remunerative than at the date when they were fixed. The increased cost of bunkers fell, under the charters, on the Admiralty ; but the rise in price of stores and provisions, and all wage advances additional to the £1 a month originally agreed by the Admiralty, came out of the owner’s pocket,

<sup>1</sup> See e. g. Report of Wm. Cory & Son, Annual Meeting, in *Lloyd’s List*, 16 June 1915 ; *Hansard*, 15 February 1915 (Sir Joseph Walton).



and since there appeared little prospect of finality in the upward curve of wages, the shipowner was liable to see an appreciable proportion of his agreed remuneration eaten away by out-of-pockets. Experience had shown, moreover, that the service required of the vessels was, in some instances, more onerous than had been anticipated. In particular, the wear and tear involved in repeated short voyages to French ports within the coasting limits (Brest to Dunkirk), and both the wear and tear and the provision of extra gear for colliers and storeships in fleet attendance, called for consideration.

In these circumstances the tramp-ship owners, who were specially affected by the disproportion between Blue Book and market rates, asked for a revision of the original schedule. It could be urged against them that the rates had been fixed by agreement with the shipowners themselves, and were intended to shut the door on claims arising from the fluctuations of the freight markets. The change in conditions, however, was so much greater than anything that could have been anticipated that, in the absence of any express agreement, the owners could hardly be considered as barred from reopening the matter, and on the question of out-of-pockets some consideration was undoubtedly due to them, if the intention of the original award were not to be defeated. The Director of Transports accordingly agreed to meet a representative Committee of tramp owners on 1st March, and as a result of this conference a compromise was agreed on. The owners received a part of their demand, and the increases were made retrospective as from 1st January 1915; but it was made a definite term of the agreement that the new rates should be regarded as covering the whole period of the war, thus barring any future claims.

The owners had asked for increases averaging 33 per cent. on the original rates. They were granted a flat advance of 1s. 6d. per ton gross, which worked out at an average increase of about 16 per cent., but in addition the Admiralty undertook to bear all excess of wages over and above those current in August 1914, and to refund all excess wages already paid. They agreed further to pay 3d. per ton per month extra for ships employed in voyages to French ports within the coasting limits and to colliers in fleet

attendance on foreign stations, 6*d.* per ton for colliers in attendance on the Home Fleets, and 9*d.*, instead of 6*d.* as originally arranged, for colliers with double derricks and winches. The basic rates for colliers were henceforth to be the same as for other classes of tramp tonnage. The ships, mostly colliers, chartered on the open market during the early days of the war were to come on requisition at the revised rates at the expiration of their current charters, all clauses giving the Admiralty an option of renewal being cancelled as on 31st December 1914. Special rates were arranged for steamers under 1,300 tons dead-weight, which had not hitherto been specifically provided for, and the tanker scale was revised on a basis giving increases varying from 6*d.* per ton for the largest to 2*s.* for the smallest ships. This scale had originally been based on an average of fixtures effected during the initial slump, and the owners had asked for increases varying from 11 to 39 per cent.; they obtained from 8 to 32 per cent. Even after all these concessions, the Blue Book rates remained some 50 to 70 per cent. below current market quotations for long term charters, and in announcing the arrangements, Dr. Macnamara, Parliamentary Secretary to the Admiralty, took occasion to pay a tribute to the reasonable and patriotic spirit displayed by the owners in the course of the negotiations.<sup>1</sup> By the liner companies no new claim had been put forward, and liner rates remained unchanged, but as a matter of justice the companies received the benefit of the excess wages clause in the tramp agreement.

In the same month, March 1915, an agreement was arrived at with regard to the hire of ships requisitioned in Australian ports. Ships requisitioned oversea had been excluded from the original Blue Book, owing to the necessity of arranging special terms to cover variations in the cost of fitting, manning, and victualling, and the majority of such ships had been taken up on terms arranged by the local Governments direct with the shipowners. The Government of India requisitioned transports at a flat rate of 20*s.* per ton gross, about 25 per cent. above Blue Book rates for ships of the same class. The New Zealand Government signed formal charter-parties embodying a demise for two months certain, with option of purchase. On the other hand, the Australian

<sup>1</sup> *Hansard*, 20 April 1915.

Government, who had requisitioned many ships on United Kingdom as well as on Australian Register, requested the Transport Department to negotiate with the owners on their behalf. For these ships the basic level of wages was fixed by the Australian coastal rates, about 40s. a month above the United Kingdom level, and in consideration of this and other expenses, the Director of Transports agreed, on 15th March, to the payment of 3s. or 3s. 6d. per ton, according to class, above the ordinary Blue Book rates, to owners of vessels on Australian requisition.

For short engagements entered into at Australian ports this advance was fully justified ; but most of the ships remained on requisition for long periods, and many of them passed, permanently or temporarily, into general Imperial service. In these circumstances the justification of the extra payments ceased ; but the agreement had been made for the period of the war and could not honourably be denounced. The owners, however, showed no disposition to press their advantage, and in October 1915 agreed that, at three months from that date, the extra payments should cease in respect of all ships other than those on Australian Register.

As regards other ships requisitioned oversea, the New Zealand Government continued to make their own arrangements, but all Canadian transports, subsequent to the passage of the first expeditionary force, were arranged by the Transport Department at the normal rates, and in July 1916 the Department took over all arrangements for the Indian Government. The agreement then made was for Blue Book Rates with an additional 2 rupees a month for vessels on Indian Register. In this respect the Department drove a somewhat hard bargain with the owners, as they insisted on converting the rupee at a fixed rate of 1s. 4d. instead of allowing the current rates of exchange, which had risen to 1s. 8d. or over.

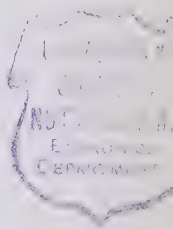
With these exceptions, the only serious modification in the Blue Book Rates made between March 1915 and February 1918 was in respect of Armed Merchant Cruisers. For these vessels, taken on a net charter basis, rates varying from 14s. to 25s. per ton had been arranged, equivalent to 24s. to 35s. on a gross charter. In fixing these rates the Sub-Committee had anticipated that only a few vessels of the highest class were likely to be required, and that the period of their engagement would probably be short ; and they



justified the rates by the exceptional risks and wear and tear involved, and by the dislocation of business caused by the withdrawal of the fastest and most popular vessels from the passenger trade. It soon became clear, however, that the war was likely to last much longer and that many more vessels would be required than had been supposed, and the diminution of the passenger traffic rendered the giant liners something of white elephants to their owners. Indeed, two or three such ships as the *Aquitania* and *Olympic* were actually laid up during 1915, owing to the heavy loss involved in running them. In these circumstances the Transport Department came to the conclusion that they were no longer justified in paying rates which, based solely on speed, gave a gross annual return of 70 per cent. or even more, on the 1914 values of the older ships, more especially as the conditions of the service were fully covered by the Admiralty's assumption of war risks and the covenant for reinstatement. They accordingly approached the liner companies with a view to a revision of the rates, and on 28th October it was agreed that the monthly hire should be reduced by 30 per cent. for ships of 17 knots and upwards, and by 20 per cent. for vessels below that speed; the reduction to take effect as from 1st October or the completion of one year's service.

Apart from these special instances the remuneration of requisitioned liners remained as fixed in October 1914; that of tramps and tankers as determined by the agreement of March 1915. The general rights and obligations of owners also remained substantially unchanged; but on one or two points experience had suggested the fairness of modifications. The provision of water for troops and horses, for instance, was a much more costly item on the long voyages occasioned by the subsidiary campaigns, in Mesopotamia and elsewhere, than on the cross-Channel movements of the Expeditionary Force, and in December 1915 the Department agreed to relieve owners of this liability, except on cross-Channel passages. In the same month they agreed to pay for all additional ballast required, for their own convenience, subsequently to requisitioning.

Meanwhile there was little sign of reduction in the earnings of 'free' shipping. During the summer months, quotations on the





majority of routes declined somewhat from their March level ; but at no time did they approach the normal, and towards the end of 1915 they rose to unprecedented heights.

The curve of values followed the same course. The actual cost of construction of new vessels increased steadily, both as regards labour and materials ; but now, as always, it was the price of ready and second-hand tonnage that responded most readily to market conditions. With tonnage rapidly becoming scarce and high freights to be earned, the competition for every steamer on offer became very keen, and whereas the average book value of all cargo steamers afloat in 1912 was estimated at £8 6s. 4d. per ton gross,<sup>1</sup> the average price of second-hand cargo steamers of 5,000 tons dead-weight and upwards sold during the first six months of 1915 was £11 8s. 1d. per ton gross or £6 13s. 8d. per ton dead-weight.<sup>2</sup>

Comparisons based on the sales of individual steamers are apt, however, to be misleading, as the price per ton is naturally affected by considerations of type, size,<sup>3</sup> speed, age, and condition. A more reliable guide to the course of values is provided by the tables prepared for *Fairplay*, showing the estimated value of a new, ready, single-deck cargo-steamer of 7,500 tons dead-weight capacity. From a maximum of about £8 17s. 0d. per ton in December 1900 this had sunk to a minimum of £4 16s. 0d. in June 1908, and by June 1914 it stood at £5 13s. 4d. per dead-weight ton. By December of that year it had risen to £8, and by June 1915 to £11 per ton. This represented the price of a 'free' steamer ; one already under requisition would naturally realize a lower price.

Neutral vessels, not being subject to requisition, fetched still higher prices, and for the same reason, neutral owners, whose ships commanded higher freights than their British competitors could obtain, were able to make very tempting offers for second-hand tonnage. The sale of ships to foreigners had, however, been brought under strict regulation. During the first few months of the war, as we have seen, few ships were transferred, other than those beneficially owned in the United States ; but during the winter of 1915-16 the demand revived, and the Government decided to take steps to restrict the traffic.

<sup>1</sup> Kirkaldy, *British Shipping*, p. 204.

<sup>2</sup> Calculated from prices recorded in *Fairplay*.

<sup>3</sup> The price per ton is always higher for small steamers.

For this there were two reasons. In the first place, it was considered inequitable that an owner whose ship was liable to requisition should be allowed to evade, in this way, his share of the common burden. In the second place, it was necessary that the Government should be in a position to prevent any serious depletion of the available tonnage. We have seen that the steamers actually transferred to American registry formed only a small proportion of those whose ultimate transfer might be anticipated, and apart from this, the continually increasing demand for ships for war purposes threatened a shortage of tonnage in which even those old and inferior steamers normally disposed of to foreigners might become of vital national importance.

By the British Ships Transfer Restriction Act, which received the Royal Assent on 16th March 1915, the transfer of any ship on the Register of the United Kingdom to any person or corporation not qualified to own a British ship was prohibited, as from 12th February of that year, for the period of the war, except when special licence had been obtained from the Board of Trade.<sup>1</sup> Similar action was taken in India and the self-governing Dominions.

In the drafting of this Act there was one serious omission, as it failed to take account of the possibility of sales to companies incorporated in the United Kingdom but controlled from abroad. Such sales would not involve a transfer of flag or exempt the ship from liability to requisition; but it was considered desirable to bring them under regulation, and in 1916 the gap was closed by an amending Act which also prohibited the grant to any foreigner of a mortgage putting him in control of a British ship. It provided, further, that the restrictions should remain in force for a period of three years from the termination of the war.<sup>2</sup>

Under these Acts, licences were granted by the Board of Trade in consultation with the Admiralty, and as a general rule with a very sparing hand, each case being considered on its merits, with particular reference to the probability of the vessel being employed in British or Allied trade. The sale of old sailing vessels to Scandinavian owners was not, however, greatly restricted.

In judging the wisdom of this policy, it is necessary to bear in

<sup>1</sup> 5 Geo. V, c. 21, *Manual of Emergency Legislation*, Supplement No. 3, pp. 219-20.

<sup>2</sup> 6 Geo. V, c. 42.

mind the existing situation. Had the output of new shipping been maintained at its normal level, it might well have been advisable to allow shipowners to maintain the average efficiency of their fleets in the accustomed way ; but with the output diminishing as rapidly as the losses increased, it became a matter of real urgency to retain on the Register even the oldest steamers. It must, however, be admitted that the effect was to leave British owners saddled, after the war, with a considerable dead-weight of obsolescent tonnage.

But for the effect of these restrictions it is probable that the competition of Allied and neutral shipowners would have forced up the price of second-hand tonnage to still greater heights. Even as it was, the closing months of 1915 saw cargo steamers of average size changing hands at anything up to £13 per dead-weight ton for a vessel a dozen years old, while the *Fairplay* index figure for a new, ready 7,500-tonner had risen to £15 6s. 8d. The actual cost of new construction had also increased by about £2 per ton on the level of 1914.

In these circumstances, the amounts for which ships were entered in the War Risk Associations no longer represented either their true value or the cost of replacement. On the loss of a requisitioned ship, the Government, which did not insure its risks, paid the market value at the time of loss, as ascertained by valuation, and whereas the loss of a collier in 1914 was compensated at the rate of £7 11s. 0d. per ton dead-weight if new, on the basis of 3 per cent. depreciation, the payment for similar vessels towards the end of 1915 worked out, on the same basis, at from £14 to £16 per ton. For the replacement of a free vessel, the owner could look only to the insured value, plus the reserves annually set aside. The increase in replacement costs was thus a very serious matter, especially for the liner companies, who were obliged, as far as possible, to make good their losses by construction or purchase.

So early as September 1914, when the rise in values first became apparent, the Government agreed to suspend the writing off of depreciation on the entered value of the ships ; but by March 1915 it had become evident that some further concession must be made, to render the scheme an effective protection to the shipowners and to encourage the replacement of shipping by new construction



or purchase from abroad. The Board of Trade accordingly agreed that, as from the 10th of the month, owners should have the option of increasing by 20 per cent. the insured value of their vessels, paying, of course, a premium correspondingly increased.

The Board further agreed that the Associations should be permitted to insure for their own account the amount by which the current market value of any vessel exceeded her new insurable value. In order, however, to provide a safeguard against exaggerated claims, the extent of such excess insurance was limited to £20,000 in respect of any one ship.

Important as were these concessions, it will be seen that they were by no means adequate to cover such an advance in values as had taken place by the end of the year, and as from 3rd January 1916 the limit of increase was raised from 20 to 50 per cent. on the original entered values. At this point the concessions stopped, and during the course of 1916 the insurable values under the State Scheme fell far behind the current market value of the ships. On the other hand, it must be remembered that owners, who were already making very large profits, were able to calculate on an equally large appreciation in the capital value of their ships should an opportunity of disposing of them arise. This, however, was of little value to those who wished to remain in business and to replace their losses, and during 1916 the War Risk Clubs formed subsidiary Associations for the purpose of insuring the difference between the amount insurable under the State Scheme and the actual current value of the vessels. In the working of these Excess Values Associations the State took no part, neither receiving any proportion of the premiums, nor contributing to the losses. Before dealing further, however, with the advance in freights and values, it is necessary to examine the reactions this advance had already produced on the relations between the shipping industry and the State.

## CHAPTER VIII

### ATTEMPTS TO SOLVE THE FREIGHT PROBLEM

It was natural enough that a rise in freights so abnormal as that which set in towards the close of 1914 should attract widespread attention, and had this attention taken the form of an adequate inquiry into the causes of the advance, its effects would have been wholly beneficial. Unfortunately, public opinion was to a great extent not only uninformed but misinformed with regard to shipping affairs, and much of the discussion tended to obscure rather than to illuminate the real issues. Allegations that the rise in freights was due to manipulation by the Conferences, and that 'Producers do not profit by these greatly increased prices forced out of consumers. It is only the shipowners', were directly contrary to the facts; but they were widely believed, and produced a strong impression.<sup>1</sup>

How completely and how generally the situation was misunderstood may be illustrated from the report of the Sub-Committee on Prices appointed by the Workers' National War Emergency Committee.<sup>2</sup> This was no product of irresponsible criticism. The Sub-Committee included some of the ablest members of the Labour Party, and their report was a serious document, temperately expressed and carefully reasoned. It acknowledged the increase in working expenses; and laid some, though insufficient stress on the effects of port congestion. Yet the report as a whole displayed an astonishing ignorance both of the shipping industry and of the actual situation. To take two instances only: it spoke of all British-owned vessels trading abroad as 'lost to Britain as a nation', and it characterized as 'manifestly absurd' the statement that 25 per cent. of the country's mercantile tonnage was under requisition. It has already been shown that the carriage of goods

<sup>1</sup> See e. g. the article quoted, 'Why your food is costing more: Shipping Rings, Freights, and Prices,' in *Daily News*, 13 January 1915.

<sup>2</sup> *Daily Citizen*, 22 January 1915.

between foreign ports was of great importance to Great Britain ; between 20 and 25 per cent. of the tonnage employed or employable in the ocean trades had actually been taken up. The Sub-Committee estimated the proportion at 10 per cent. Their error arose in part from the fact that they counted in number of ships only, and based their calculation on the total number of steamers on the Register of 100 tons gross and upwards ; but the adoption of this basis was alone sufficient to vitiate all conclusions with regard to the ocean trades.

The Sub-Committee's proposals were that requisitioned ships should be sent out to ' break ' grain freights, that ships should be withdrawn from the trade between foreign ports, and that the entire Mercantile Marine should be brought under the control of the State, in the same way as the railways, ' to protect the population from extortion '. All three proposals were frequently to be repeated from many quarters and in varying forms during the next two years. It will be our business to see to what extent, in what circumstances, and with what results, they were adopted. In this report they were put forward as quite simple propositions, capable of being carried out by a stroke of the pen and with no fear of injurious reactions. The report shows no conception either of the fluidity of the world pool of tonnage or of its international character ; it ignores entirely both the importance, from the point of view of tonnage economy as well as of finance, of British voyages between foreign ports, and the importance of neutral shipping in the supply of the United Kingdom. Above all, it fails to recognize clearly the fact that the rise in freights was an indication and a consequence of a real deficiency in the total carrying-power available for the world's commerce ; that the causes of this deficiency were, to a great extent, remediable, and that only in so far as they could be remedied, could the consequences of the deficiency be averted.

Stress has been laid upon this report because it gave authoritative utterance to views which were frequently less temperately expressed both in the press and in Parliament. The alarm aroused by the increased cost of living was well-founded, and it was right that any deliberate attempt to profit by the national emergency through withholding goods or services should be exposed, and if



possible, frustrated. The mischief of the discussion was that there appeared to be no general realization that so vast and widespread a dislocation of economic activities must inevitably lead to a constriction of purchasing power, whether through a rise in prices or through a diminution in supplies, and that measures of price or freight restriction which did nothing to increase the supply of goods or transport might disguise or postpone, but could not avert the consequences of the war. Apart from the frequent gross exaggeration of the effect of freights on prices, there was a tendency for discussion to centre round the question whether high freights were ethically 'justifiable', rather than round the practical problem of restoring the equilibrium between demand and supply. The Government were under no delusion as to the effect of freights on prices, and the Prime Minister himself stated, in the House of Commons, that they considered freights to be only a minor factor of the increase in the cost of living;<sup>1</sup> but they were greatly influenced by public opinion, and they never appear to have realized effectively either the limits of the country's shipping resources or the inroads made on those resources by war demands and war conditions. Hence State action in relation to shipping tended to take the form of empirical attempts to alleviate the symptoms of diminishing carrying-power, without any real diagnosis of the disease.

The difficulties of the situation were accentuated by friction between the Transport Department and the shipowners. Although the system of proportionate requisitioning went far towards removing the owners' chief personal grievance, an incessant stream of criticism was still directed against the Department. While the owners were responsible for manning, victualling, and storing requisitioned ships, they had no control over their employment or movements, and they never ceased to contend that wasteful use of requisitioned tonnage was largely responsible for the extent of the naval and military demand, and consequently for the shortage of commercial carrying-power and the advance in freights. In support of their contentions the owners and their spokesmen pointed to the use, for some months, of liners aggregating over 100,000 tons gross as prison ships for interned aliens; to the sub-

<sup>1</sup> *Hansard*, 11 and 17 February 1915. Debate on 'The Necessaries of Life (Prices)'.

sequent employment of two large steamers as Staff Head-quarters and ordnance depot respectively in the Aegean ; to the fitting of ten oil tankers as troopships, only to be found unsatisfactory and re-converted after a single voyage. They complained that 5,000-ton colliers were kept hanging about for weeks at the naval bases, with only three or four hundred tons left in their holds, to await the particular warship to whom their cargo was allocated. They drew attention to the dispatch of transports and store ships to Mudros so hastily stowed that they had to be sent on to Alexandria, to discharge, sort, and reload their cargoes. They laid stress on the dislocation caused by the sudden requisitioning of ships already fixed for a voyage, and on the waste involved in sending ships out on long ballast voyages, to bring home Government cargoes that might have been lifted by vessels locally available. At the beginning of 1916 one speaker in the House of Commons went so far as to declare that he possessed a dossier relating to some eighty ships that had lost between them over 7,000 ship-days through Government mismanagement.<sup>1</sup>

That these were no idle complaints was proved in January 1916, when the Mediterranean Transport Commission presented their report. It was proved still more emphatically by the very large economies subsequently effected through improvements in organization, greater attention to stowage, and more careful selection of types in the working of requisitioned ships. Nevertheless, much of the criticism passed on the Transport Department was unjust or misdirected. In the first place, it was quite impossible to use ships in naval and military service with the same regard to economy of time and space as in commercial employment. In the second place, the officials of the Department had no power to refuse and no authority to criticize the demands made upon them. Their duty was simply to find the ships, and the ships had often to be found at very short notice. It was not departmental inefficiency that led to the appalling waste of tonnage in the Mediterranean,<sup>2</sup> but the vacillation of the Government with regard to the Dardanelles campaign, and the military optimism which regarded

<sup>1</sup> See *Hansard*, *passim*, especially 15 February, 23 December 1915 ; 26th January, 17 February 1916.

<sup>2</sup> See Admiral of the Fleet Lord Wester-Wemyss, *The Navy in the Dardanelles Campaign*, *passim*, and Fayle, *Seaborne Trade*, vol. ii, pp. 170-5.

Mudros merely as a temporary base, where no piers or storage accommodation were required. Against many of the abuses for which the Transport Department were criticized they had themselves strongly but vainly protested, and the very fact that their defence could not be made public increased the keenness with which criticism was felt. Unfortunately, while the departmental officials had, frequently, little acquaintance with the shipping industry, many of the shipowners were equally ignorant of the difficulties with which the Department had to contend. Thus there grew up an amount of friction and suspicion the more regrettable that, on both sides, it was based largely on misunderstanding.

The whole discussion of shipping problems, whether in the press or in Parliament, was carried on in a somewhat heated atmosphere by no means conducive to a satisfactory solution. The truth was, so long a time had elapsed since the last naval war that the nation had forgotten how heavy a price must inevitably be paid for so great an upheaval. In 1809-12, when Napoleon was endeavouring to enforce the Continental System, freight and insurance on Baltic products such as timber, wheat, hemp, and tallow rose to 10, 11, 12, and even 14 times the normal.<sup>1</sup> That, of course, was due to exceptional conditions in the Baltic trade, but a study of freights and prices during the wars of the sailing era might at least have suggested the vanity of the hope that a world-wide struggle could be maintained without economic reactions. The real danger, however, lay in the persistency with which the causes of the existing rise in freights was overlooked. The very enterprise and ability with which the shipowners had met the demands upon them encouraged a false optimism. The volume of imports during the first eighteen months of the war was maintained at a level so nearly approaching the normal, that the tonnage available for commercial purposes was assumed to be ample. It was not appreciated that the freights themselves bore witness to the strain imposed on the available carrying-power, and that any further depletion of commercial tonnage, whether by losses or by requisitioning for naval and military purposes, must inevitably be followed by a still further rise in freights, or by

<sup>1</sup> *Cambridge Modern History*, vol. ix, pp. 241-2.



a diminution of supplies, or both. This tendency to consider the problem of freights as separable from the problem of carrying-power was the main obstacle to any adequate attempt to deal with the real sources of the evil.

It was the control of freights rather than the more economical use of tonnage that inspired the demand for State Control of shipping; but whether desirable or no, the extension of State Control over all shipping in commercial employment, even in the form subsequently adopted, was at this time a sheer impossibility. The Government had simply no organization capable of taking on such a tremendous task. The analogy frequently suggested with the railways was altogether false. For the purpose of safeguarding the movement of troops and military stores, the Government had entrusted the control of railway traffic to an Executive Committee of Railway Managers, and had agreed to guarantee the Railways their average profits during the three years immediately preceding the war, on condition that railway rates were not raised, any deficiency due to increased working expenses being met by a Government subsidy. This artificial restriction of railway rates was not without its disadvantages. It encouraged unnecessary traffic at a time when the railways were badly congested, and thus blocked the distribution of essential imports from the ports. It led to a considerable diversion of traffic from the coasters to the railways, thus further congesting the lines, hampering the distribution of imports, and assisting to block the ports and reduce the annual carrying-power of the ships. But whether all the details of the transaction were wise or unwise, the problem of the railways differed widely from that presented by ocean transport. The number of individual concerns to be controlled was much smaller, the conditions much more uniform; the exercise of arbitrary powers was facilitated by the restricted area of operations and the close and constant touch maintained with the consumers through the local officials. Goods could be diverted, and deficiencies made good at a few hours' notice. Above all, the problem was wholly domestic. The railways, the goods, the consumers all lay within the jurisdiction of the State. The problems were essentially different from those of an industry worldwide in its activities and international in character.



It was, indeed, suggested that, without taking over the running of the ships, the Government should fix maximum freights on all cargoes carried in British vessels. To this course there were two grave objections. In the first place, unless the Government were prepared to dictate in detail the cargoes to be carried, the elimination of freight competition would destroy the only available index to the relative urgency of the competing demands on the restricted cargo-space available. In the second place, the proposal ignored entirely the part played by foreign shipping in the supply of the United Kingdom. In view of the steady decrease in the available British tonnage, it was of the first importance that the services of neutrals should be retained; but if the freights on British ships were fixed substantially below the market level, it was obvious that neutrals must either conform to the British rates or cease to obtain charters, and there could be little doubt that a large proportion of the foreign shipping engaged in trade to or from the United Kingdom would go off to more lucrative employment.

The use of requisitioned shipping to break freights was an equally impracticable proposal. Unless the Government were prepared to take over the entire purchase and distribution of any commodity, the effect of making tonnage available at Blue Book Rates for a portion of the imports must be to place individual shippers or importers at an advantage over their competitors. If they cut prices accordingly, other firms, who were paying market freights, would be discouraged from operating and supplies would be diminished; if they maintained prices, the whole benefit of lower freights would go into their pockets. This objection could be met by extending the employment of requisitioned shipping to the whole of a particular import; but this also would involve, almost inevitably, State purchase of the whole of that import, since by no other means could the benefit of any saving in freight be guaranteed to the consumer. Moreover, if the ordinary regulating influences of a free freight market were destroyed, State regulation of the imports would be necessary, in order to avoid either the holding up of requisitioned tonnage to suit the convenience of shippers or a rush of arrivals with which the ports would be unable to cope. Shipping, it cannot be too often repeated, is the servant of commerce, not commerce of shipping, and every consideration tended

to prove the difficulty, if not the impossibility, of controlling either the freights or shipping movements in any trade, unless that trade itself were first controlled.

In any event, no measure of freight limitation could increase by a ton the carrying-power available. The suggestion for the withdrawal of ships from foreign waters did at least attempt to deal with this fundamental problem. Here again, however, the problem was not so simple as it looked. A great deal of loose tonnage had already been drawn in, as a result of the desire to maintain fixed services and of the demands of the freight market. It was estimated that, during the first twelve months of war, seven in ten of the voyages made by British ships, as compared with the normal six in ten, began or ended at a port in the United Kingdom.<sup>1</sup> All loose tonnage on the market had already been absorbed, and if further ships were arbitrarily withdrawn, it was practically certain that the consequent shortage of tonnage and forcing up of freights in distant waters would lead to neutral shipping going off, to fill the gap, from the trade of the United Kingdom itself. The result would thus be a mere exchange of tonnage, in which Great Britain would lose the services of the diverted ships as an item in the adjustment of the trade balance, and the shipping industry would be penalized in *post-bellum* competition by the break-up of long-established connexions. Moreover, a large proportion of the tonnage was, in point of fact, unavailable, as it was engaged in services for the Oversea Dominions or for the Allies of Great Britain, from which it could not be diverted without disastrous consequences.

The only solution that could be both effective in itself and free from injurious reactions must be one that went to the root of the whole problem, the restoration of an equilibrium between the total carrying-power available for the world's commerce and the demands upon it. Down to the end of 1915, the destruction of tonnage was made good by new building in Great Britain and abroad and by bringing into service enemy shipping seized by the Allies, and during the first half of that year the actual tonnage available was probably equal to the demand, even after allowing for ships in naval or military service. Tonnage and carrying-power, however, are two very different things, and as we have seen, the annual carrying-

<sup>1</sup> *Liverpool Steam Ship Owners' Association, Report for 1915*, p. 13.

power of the ships had been greatly reduced, despite the heavier cargoes carried. So far as this was due to the greater length of voyages, or to an increase in ballast voyages, occasioned by the redistribution of trade, it was an unavoidable consequence of the war; but the port delays stood in another category, and they were probably the biggest factor in the problem.

So at least it appeared to the shipowners. There were doubtless many owners whose vision was bounded by the immediate profits to be obtained; but those who spoke for the industry were capable of taking a broader view. Even from a strictly business point of view they regarded the situation as unsatisfactory. Remunerative as were the freights obtainable, a large part of the profits on a voyage could be swept away by port delays, and the prevalence of such delays made it impossible to fix ships ahead with any certainty. The whole business of shipping had become speculative to an unhealthy extent, and the leading owners would have welcomed a return to sounder conditions, even though accompanied by a substantial reduction in freights.

An opportunity of expressing their views occurred in January 1915, when the President of the Board of Trade called a conference of owners representing the great shipping organizations, to discuss the problem of abnormal freights. As a result of this conference the owners presented a memorandum, dated 22nd January, in which they analysed at some length the causes of the advance. They emphasized such factors as the increase in working expenses and the redistribution of trade, and they urged strongly the need for releasing any redundant tonnage in naval or military employment; but the point on which they laid chief stress was the waste of carrying-power caused by the blocking of the ports, and their practical suggestions were mainly directed to removing the causes of port congestion. For this purpose they proposed that the naval and military demands on port facilities should be reviewed, and if possible cut down; that the railway trucks remaining in commercial employment should be pooled, with a view to working them to their maximum capacity; that penal rents should be charged on goods not promptly removed from the quays, and that an inquiry should be instituted into the labour supply at each port.<sup>1</sup>

<sup>1</sup> Memorandum printed, in full, in *The Times*, 28 January 1915.



The importance of these proposals can hardly be exaggerated. At a later date all were adopted with very beneficial results, and had they been carried into effect at once, there can be no doubt that the annual carrying-power of the ships would have been substantially increased, with the inevitable result of a fall in freights; but though the Transport Department and the Admiralty were also calling attention to the matter, nothing was done for the moment, beyond the appointment of a Board of Trade Committee to consider generally the question of port facilities. The trucks were not pooled; valuable dock premises continued to be used as barracks; transport workers continued to be enlisted for the Army; the quays and transit sheds continued to be used as warehouses for Government as well as private cargo; the delays to shipping grew more and more serious, and freights continued to rise. When, at last, steps were taken to deal, tardily and imperfectly, with this vital question, the mischief had gone too far to be easily remedied, and throughout 1915 and 1916 the condition of the ports continued to be one of the most important factors—perhaps the most important—in that deficiency of carrying-power which found expression in the abnormal cost of sea-transport.

So long as the extreme congestion of the ports continued, the benefits to be derived from any accession of new tonnage were bound to be partially neutralized; but the importance of increasing the supply of tonnage was obvious, and the shipowners, with big profits to be earned, were eager to extend their fleets. Down to the end of 1914 the shipbuilding output was satisfactory, and had the owners been free to place and the yards to execute orders, there is no doubt that the level of output would have been maintained or increased. Neither owners nor builders, however, were their own masters. Not only had many skilled workers been recruited for the New Armies, but the Admiralty had been given an absolute priority over the whole shipbuilding resources of the country, and so great were their demands on slips, labour, and materials, that mercantile shipbuilding was almost entirely suspended, save for the completion of ships already in an advanced stage of construction, and even for these it was difficult to obtain the necessary facilities. Hence by the second quarter of 1915 the



output had dropped to little over one-third of the *pre-bellum* average.

There was, however, one ready source of available new tonnage. Although the passive attitude of enemy shipping afforded few opportunities for British cruisers to make prizes after the first few days of the war, a large number of German and Austrian vessels had been seized on the outbreak of war, or captured in German colonial ports. In all, about 700,000 tons had fallen into British hands, of which approximately half was 'good prize', and the remainder was liable, under Hague Convention No. 6 of 1907, to detention for the period of the war. Such detained tonnage was also liable, under the Convention, to requisition by the British Government, subject to subsequent restoration or the payment of compensation in the event of loss.

Although prizes were no longer sold for the immediate benefit of the captors, the Navy as a whole benefited by the proceeds through the Naval Prize Fund, and as the prices realized by the ships first put up to auction were low, further sales were deferred until a more favourable opportunity. Moreover, the Prize Court proceedings in respect both of captured and detained ships were often lengthy, especially in the oversea courts. The importance of bringing this great block of tonnage into service was, however, obvious, and at the beginning of 1915 the Liverpool Chamber of Commerce passed a resolution urging that all prizes should be promptly sold.<sup>1</sup> There was now no difficulty in obtaining high prices for the ships, but the Transport Department represented that it was hardly fair to ask shipowners to bid for them at the inflated prices then ruling, while so many of their own vessels were still being requisitioned at rates far below the market level. One alternative was to employ the prizes in trading on Government account, and many of the steamers that had come under the control of the Government of India and the Australian Commonwealth were actually used in this way, and helped to relieve the local tonnage shortage. Here again, however, it was felt that an objection might well be taken to the use of prizes to earn market freights for Government account while British steamers were being requisitioned at Blue Book Rates; in fact the use of Indian and

<sup>1</sup> *Lloyd's List*, 6 January 1915.

Australian prizes in this way continued to be a sore point with shipowners throughout the war. Moreover, the Government had no effective machinery for running the vessels, and there was some doubt as to the reception of detained ships in neutral ports. Such ships could, however, be used in the coasting trade, and so early as October 1914 the Newcastle Quayside Advisory Committee suggested that they should be employed in the carriage of coal from the Tyne to London, where tonnage was very short in consequence of the Admiralty demand for colliers. As a result, too, of the danger areas and navigational restrictions in the North Sea, the length of the voyage was doubled or trebled, and by January 1915 freights had risen to four and a half times the normal. In that month the Government accordingly decided to place thirty-four interned steamers in the hands of Messrs. Everett and Newbegg, shipowners of Newcastle, to be run on behalf of the Transport Department. It was necessary, of course, to avoid such competition as might tend to drive other ships out of the trade; but the managers were instructed to quote rates a little below the market level, and the effect was, temporarily, to check the advance.<sup>1</sup> Most of the vessels detained in United Kingdom ports were eventually employed in this way in the coasting trade. Of the prizes and the steamers detained abroad and handed over to the Imperial Government, a few were let out on time charter or run by managers on Government account; but the great majority were entrusted to the Transport Department for naval or military use, the Department paying into the Prize Fund, Blue Book net charter rates.

By this use of prizes for transport work a somewhat difficult problem was settled equitably and without friction. The increasing demands of the war services readily absorbed all the prize tonnage available, and the nation received the benefit of this addition to the carrying-power available. The shipowners also benefited, inasmuch as the Transport Department were able to release, or rather to dispense with requisitioning, an equivalent number of British ships. Nor was this the only way in which a more economic use of tonnage was found to be compatible with consideration for the industry. Reference has already been made to the appointment

<sup>1</sup> *Ibid.*, 18 January 1915; *Hansard*, 10, 11, 17 February, 4 March 1915.

of the Transport Department Advisory Committee. In every way, the appointment of this Committee was an event of outstanding importance. It introduced the principle of associating practical shipping men with the work of the Department, and the immediate results were uniformly beneficial. We have already seen how much the Committee did to secure a more equal incidence of the burden of requisitioning, and apart from the abstract justice of the step, there is no doubt that this had a valuable effect in reducing the possibilities of friction between the Department and the owners. The main function of the Committee, however, was 'to examine the employment of cargo vessels under requisition in conjunction with the Director of Transports, and to obtain the release of such vessels as can be spared'. Owing to the continual increase in the demand, the Committee were able to effect no real reduction in the tonnage employed; but by economies in organization, they were able, in conjunction with the staff of the Department, to do something to check the increase. Their great achievement, however, was the development of a system of 'temporary release' which added largely to the available carrying-power, while lightening the burden of requisition. No waste of tonnage was more serious than that involved in the great number of ballast voyages made by returning Admiralty colliers, and in the Mediterranean especially this waste was emphasized by the fact that there was a distinct shortage of tonnage in the ore trade, in which the freights offered were attractive neither to British nor neutral shipowners in view of the bad conditions at Spanish and North African ports. By the new system, an empty collier was released to her owners at one of the Mediterranean bases, on condition that she should be fixed at once to load a homewards cargo of named description, usually ore, and redelivered to the Transport Department on completion of discharge in the United Kingdom. As the war went on, the application of the system and the range of homeward cargoes was considerably extended, but it was always in the Mediterranean, and in the ore trade, that it was most important.

The chief difficulty in connexion with the system arose from the provision that coal left in the bunkers should be taken over at the current local rates. These were frequently so high that, when a ship was released with any considerable quantity of bunkers still



on board, the cost of taking over the coal swamped the profit on the homeward voyage, and a compromise was eventually agreed, by which the owners were charged local rates for ‘ a reasonable quantity ’, say three days steaming, and paid United Kingdom price for the balance.

When, for this or any other reason, the owner refused to accept temporary release, the Department themselves fixed the ship at current freights for the homeward voyage. In some such instances the owners laid claim to the resulting profits, on the ground that the work performed fell outside the scope of the requisition ; but this claim was always refused, and was, in truth, manifestly unreasonable, since the owners had refused the offer of release and could not have been made liable for any loss incurred. Only one case was actually carried to arbitration, and in that the arbitrator decided in favour of the Department.

Both the use made of enemy tonnage and the system of temporary release represented a serious attempt to grapple with the problem of carrying-power ; but the Government were, as yet, less concerned with the possibility of a shortage of supplies than with the political effect of the outcry against abnormal freights. It was in connexion with the price of necessities that this agitation had become most formidable, and in respect of three essential food-stuffs—wheat, sugar, and meat—they applied themselves, during 1915, to the problem of direct freight limitation.

A beginning was made with sugar. Owing to fear of a great rise in prices through the substitution of cane sugar from distant sources for the beet sugar formerly derived from Europe, the Royal Commission on Sugar Supplies had been given a monopoly of the import. For the carriage of their purchases the Commission had at first chartered on the open market, but by centralizing chartering through Messrs. Alfred Holt & Co., they had obtained ample tonnage at moderate rates to lift the Java crop. Indeed, operations, so far as purchase and transport were concerned, had been almost too successful, inasmuch as the imports during the four months ending January 1915 exceeded the normal by over one-third, and accumulations of sugar at the docks contributed materially to the congestion of the ports.

By January 1915, when it became necessary to fix tonnage for

lifting the Cuban crop, the Commission had become alarmed at the rise in freights, and, backed by the Home Office, they applied for requisitioned tonnage to carry the sugar, not on temporary release but at Blue Book Rates. This demand raised a question of principle of great importance. Hitherto, requisitioning had been confined practically exclusively to shipping required in the actual conduct of the war, and it may safely be said that neither when the Requisitioning Proclamation was issued nor when the Blue Book Rates were fixed was anything further contemplated. The new demand stood on an altogether different footing. It amounted to acceptance of the proposition that the State was entitled to deprive the shipowner of his right to market freights on any cargo bought for Government account, and with no other object than to keep down prices in the United Kingdom.

To keep down prices was obviously desirable, but unless it were possible to control all prices, freights, profits, and wages—to limit throughout the whole field of economic activity the reactions of the war—it was possible to question either the justice or the utility of discriminating against the owners of tonnage required to carry one particular article, which happened to be a Government monopoly. On the other hand, the fact that sugar was a Government monopoly ensured the possibility of passing on to the consumer the benefit of any saving effected. As against this, there was a strong probability that the withdrawal of additional tonnage from the freight markets would increase the competition for the ships that remained free, and thus assist to raise freights on other imports.

Almost simultaneously a claim for the allocation of requisitioned tonnage was made by the French Government, who were desirous of keeping down, by securing carriage at Blue Book Rates, the cost of coal for the State Railways and also for the Nord and Est systems. These railways were of such enormous military importance, and were so largely used by the British troops themselves, that the demand might fairly be said to come under the heading of direct war service, and no objection was raised to its fulfilment; but the Transport Advisory Committee strongly protested against the use of requisitioned tonnage for sugar. They did not, indeed, dispute the legality of the demand, although, as we have seen, it

was open to question ; but they did dispute the wisdom of granting it. They pointed out that, while ships whose employment was subject to naval and military exigencies could not, in any event, be operated with the normal regard to time and space economy, it was of the utmost importance that the diminished tonnage available for the carriage of imports should be worked to its maximum capacity. However willing the owner of a requisitioned vessel might be to do his best for the State, the substitution for competitive voyage freights of a flat time-rate removed not only the incentive of profit, but the index to efficiency that it afforded, and tended to diminish the normal sense of personal responsibility on the part of all concerned in the loading, running, and discharge of the ship.

Rightly or wrongly they were over-ruled, and a precedent was set up which foreshadowed much wider developments of the requisitioning principle in the later stages of the war. Indeed, it was followed almost immediately by a proposal that requisitioned shipping should be employed to carry the wheat purchases effected in Argentina by the Cabinet Committee on Food Supplies, with the object of ensuring ample army supplies and building up a civilian reserve. Later, a similar proposal was raised with regard to the Indian surplus, which had been bought up by the Government of India in order to prevent hoarding by the native producers, and application was also made for assistance in shipping the Canadian crop. All three proposals were strongly opposed by the Transport Department Advisory Committee, and all three were ultimately rejected. In each instance it was a part only of the wheat supply that would be affected, and all the objections already discussed in connexion with the use of requisitioned tonnage to break freights applied to the fullest extent.<sup>1</sup>

The meat import, on the other hand, was, like that of sugar, a Government monopoly. Mainly for the purpose of ensuring supplies to the British and French armies, the Board of Trade had entered into contracts covering the greater part of the Argentine output, and in February 1915 they acquired, through the medium of the Dominion Governments, the whole exportable surplus in

<sup>1</sup> As regards the Indian wheat the decisive factor was the decision of the Vice-regal Government to sell at market rates, which implied that any saving in freights would simply swell the profits instead of benefiting the consumer.



Australia and New Zealand. Meat not required for the Armies was placed on the market through ordinary trade channels, but the Board were now practically the sole importers. In Australasia they had also a monopoly of supplies, and their only difficulty was the shortage of insulated tonnage, especially in New Zealand, arising from the use of Australasian liners as transports. In South America, however, the greater part of the output was controlled by the American Meat Companies, and the strength of the demand arising from War Office and French requirements led to fears of a substantial rise in prices. Moreover, while the rise in freights had not hitherto been very serious, the Board were apprehensive of further advances in the Plate trade.

For the solution of both these problems the Board looked to obtaining control of the ships by which the meat was carried. The shortage of tonnage in the Australasian trade was very unequal in its incidence as between the various ports, and could to some extent be remedied, now that all purchases were for a single account, by running the whole trade as a unit and diverting tonnage as required to the ports where shortage was acute. Moreover, there were many small ports, especially in New Zealand, where the liners were in the habit of calling, but where little meat was shipped. The services to such minor ports were of great importance in developing the general trade both of the country and of the lines; but for the immediate purpose of lifting the greatest possible quantity of meat in a given time they had little value, and by eliminating or reducing these stoppages a substantial economy of time, and therefore of tonnage, could be effected.

In the Plate trade, control of insulated shipping would enable the Board to oppose to the Meat Companies' monopoly of output a monopoly of carrying-power; for the number of ships under foreign flags suitable for the carriage of meat was so small as to be practically negligible. The Board would thus be placed in a very strong position for the purposes of negotiation, and might reasonably hope to keep down f. o. b. prices as well as freights to a moderate level.

Merely to requisition the ships would not, however, solve the problem. Even as regards the running of ships requisitioned for naval and military service, the Transport Department relied

largely on the services of the owners, and to take over for commercial employment two great groups of liner services, with all their elaborate organization at home and abroad, was a much more difficult and complicated matter. Moreover, the Board desired only to obtain control of the insulated space in the vessels, and had neither the will nor the power to make effective use of the passenger accommodation, nor of the holds devoted to general cargo.

The matter was obviously one for special agreement, and the conference system, in which the Australasian and South American trades were strongly organized, supplied both the channel of negotiation and the machinery of control. At a meeting, in February 1915, with the owners of the Australasian lines, the Board expressed their desire to charter at fixed rates and for the period of the war the entire insulated space in the ships, on terms giving them the right of diversion, and at a second meeting, in March, terms were agreed which came into operation on the 8th of that month. It was necessary, however, that the shipowners should be protected against the consequences of any breach of existing agreements arising from the directions given by the Board, and for this purpose an Order in Council was issued on 13th April formally requisitioning for the carriage of refrigerated produce all insulated space in British ships usually engaged in the Australian and New Zealand trade; on 29th April, as the result of a similar agreement with the owners in the Plate trade, another Order was issued requisitioning the insulated space in the South American liners.<sup>1</sup>

The terms agreed with the Australasian shipowners were 72s. 6d. per ton of 40 cubic feet refrigerated space on each voyage, a slight advance only on the existing rates. In the Plate trade 50s., 55s., or 60s. per 40 cubic feet was paid, according to the class of ship. Both rates were fixed for the period of the war, and represented an average advance of about  $\frac{1}{2}$  per lb. on the freights ruling in July 1914. Since the entire responsibility for all meat shipments was now accepted by the Board, who were also taking power to divert vessels, the agreed rates were paid in full for the whole insulated

<sup>1</sup> Order in Council, No. 303 of 1915, requisitioning insulated space in Australian shipping, *Manual of Emergency Legislation*, Supplement No. 3, pp. 362-4; No. 385 of 1915, requisitioning insulated space in Plate Shipping, *ibid.*, pp. 365-7.

space whether filled or no ; but when a full cargo was not forthcoming, the Board were generally able to fill the space with dairy produce, fruit, or, on occasion, even non-refrigerated cargo. For these they charged the shipper a freight based on the agreed flat rate ; but with such transactions the shipowners were not concerned ; they received the flat rate of hire, and merely collected these outside freights for account of the Board. In the Plate trade the meat companies were at first permitted to ship in each vessel a small proportion of chilled beef on private account, and the freights on such meat were in the same way collected and paid over to the Board.

Terms with regard to demurrage and deviation were also agreed. As regards demurrage, the general principle was that the Board agreed to pay when the delays were directly due to their own orders or policy, but not when they arose from the general dislocation caused by the war. As regards diversion, the Board received general powers to alter, add to, or suspend the usual sailings and intermediate stoppages in each trade, but they did not, at the moment, contemplate any large diversions from the Australasian to the Plate trade, or *vice versa*, and in the Australian trade itself they agreed not to divert passenger steamers without the owners' consent. Where diversion involved an appreciable direct loss or expense to the owners, as in respect of vessels running under mail contracts, reasonable expenses were paid. An additional  $\frac{1}{4}$ d. per lb. to cover port charges was also paid on all meat landed in French, Egyptian, or other oversea ports.

The working of the whole scheme was entrusted, under the supervision of the Board, to two Committees of Shipowners in London, appointed respectively by the Plate and Australasian Conferences, and to Sub-Committees in Australia, New Zealand, and the Plate. The London Committees looked after the general adjustment of sailings to the meat programme ; the Sub-Committees, on which shippers as well as shipowners were represented, dealt with the detailed allocation of the space available at the various ports. As regards outwards cargo and non-refrigerated space on the homewards voyage, the lines were their own masters.

One service only, that of the Nelson line, was exempted from the requisitioning orders. This line was bound by long-term con-



tracts with the Plate meat companies, the benefit of which had been acquired by the Board of Trade, and as the rates under these contracts were below those now agreed, the Board preferred to hold the line to their contracts.<sup>1</sup> The shipowners protested against this decision, and carried the matter to arbitration ; but the arbitrator decided that the Board were entitled to take full advantage of their position. Accordingly the ships continued to run at the old rates, and the space was only brought under requisition as the contracts ran out.<sup>2</sup>

It will be observed that, despite the formal Requisitioning Orders, the basis of the whole scheme was an agreement with the liner conferences. Throughout the war the co-operation between the shipping companies and the Board was close and friendly. Any difficulties that arose were promptly and smoothly adjusted, and on all claims for deviation or demurrage the decision of the average adjuster, Mr. William Richards, retained by the Board for this purpose, were accepted by both sides practically without dispute. One or two owners were inclined to complain that the President of the Board of Trade had driven a hard bargain with them ; but on the whole the agreed rates were cheerfully accepted, in view of the fact that the Board's monopoly of imports enabled all savings to be passed on to the consumer, and the monopoly of insulated space enabled them, to some extent, to control f. o. b. prices abroad.<sup>3</sup> It was, in fact, this monopoly character of the trade that induced even those usually most hostile to State Control to look favourably on the scheme. It did not prevent an advance in prices—although the advance in freights was 1*d.* a pound, at most, the retail prices of meat for civilian consumption had risen before the end of 1916 by an average of about 5½*d.*—but it did undoubtedly check that advance, and it accomplished this without any injurious reactions on supplies, or on the supplies and prices of other commodities. The actual running of the ships remained in the hands of their experienced owners, who were paid, even for

<sup>1</sup> *Hansard*, 10 June 1915.

<sup>2</sup> Power to requisition the insulated space in ships belonging to the Nelson Line and Nelson Steam Navigation Co. was given by Order in Council of 14 October 1915. Two months later, on 15 December, a further Order in Council was issued, empowering the Board of Trade to requisition the insulated space in any ship registered, or to be registered, in the United Kingdom.

<sup>3</sup> *Hansard*, 10 June 1915.

the requisitioned space, on a voyage, not a time basis ; they remained, subject to minor diversions, in their accustomed trades ; the space requisitioned was used for the carriage of the only commodities with which it was normally filled ; the whole trade was so highly specialized that the general freight markets were unaffected.

None of these conditions applied to wheat, and it was not until nearly the end of 1915 that any direct action with regard to wheat freights was taken by the Government. By that time the whole shipping situation had become appreciably more acute, and had produced, among other results, a new departure in the relations of the industry and the State.

## CHAPTER IX

### THE BEGINNINGS OF CONTROL

THE action taken during 1915 with regard to meat and sugar did little to abate the demand for an extension of State control over freights in general, and more particularly for the fixing of maximum freights on grain. It was not generally realized that conditions in the meat trade were exceptional, and there was a widespread expectation that what had been done for one of the two primary foodstuffs would be done also for the other.

Apart from the question of the relation between freights and prices, there was a strong feeling against the accumulation of abnormal profits by any particular class as the result of a war which must inevitably impoverish the nation as a whole. In the munitions industries, the consent of the workers to interference with their ordinary freedom of contract and to the suspension of trade-union regulations had been purchased by restricting the profits of controlled firms, and many people were desirous of applying the same principle to all industries in which abnormal profits were being made as the result of the war.

This condition unquestionably obtained in the shipping industry. The profits of the great lines running mixed passenger and cargo services were limited not only by the comparatively low freights on general outwards cargo, but by a considerable reduction in the volume of exports and by the practical disappearance of the passenger traffic. Those of the cargo liners and tramps were enormous. It is true that a large proportion of many of the fleets was under requisition ; but even Blue Book Rates yielded a better return than the average of the last dozen years or so of peace, and the withdrawal of every ship taken up for Government service assisted to force up freights on the remaining free tonnage. The actual dividends distributed by the cargo-boat companies whose



accounts, published in 1915, were analysed in *Fairplay*, averaged no more than 11·43 per cent., or rather below the figure for 1913, and the allowance for depreciation, though handsome, was less than in that year;<sup>1</sup> but the period covered by many of the accounts included several months of comparatively low freights in 1914, and the current earnings of shipping during the calendar year 1915 were at a much higher rate. Moreover, the level of profits varied widely as between owner and owner, according to the character of the trade and the proportion of free tonnage in the fleets. Even in the *Fairplay* list, including eighty-two companies, twenty, whose fleets included a large proportion of free ships, or whose accounts were published late in the year, paid dividends ranging from 20 to 40 per cent., and it was common knowledge that during a great part of 1915 still larger profits were being earned by many ships.

These profits were due, as we have seen, not to any exceptional rapacity on the part of the shipowners, but to conditions for which they had done their best to point out a remedy. So far as these conditions were remediable, profits could be brought down by measures directed to the larger problem of ensuring supplies, and it was a grave national misfortune that the urgency of such measures was so little appreciated. So far as war conditions rendered high profits inevitable, a part at least could be diverted to the national exchequer by taxation.

Shipping was subject, of course, like all other industries, to the increased rates of income-tax and super-tax imposed during the war; but the first attempt at differential treatment was made by the Finance Act of 1915, which brought the industry within the scope of the Excess Profits Duty. The fiscal merits of this form of taxation need not be argued here; if an Excess Profits Duty was to be levied at all, the shipping industry was obviously a proper subject for its application, for the profits were admittedly abnormal and due to war conditions. It is true that the shipowner had some special claim to consideration, inasmuch as his neutral competitors were reaping a yet richer harvest, and were in a position to accumulate large reserves for the purpose of *post*

<sup>1</sup> The actual profit from voyages, less 5 per cent. depreciation, showed a percentage of 20·75 on book values. There were still, however, arrears of depreciation to be made good.

*bellum* competition. On the other hand, the adoption as a datum line of the average profits for three years immediately preceding the war was peculiarly favourable to the shipping industry, which had enjoyed during those years a period of exceptional prosperity. In view of this fact, and of the profits disclosed by the published accounts, the claim to exemption put forward by some of the shipowners' representatives in the House of Commons created a bad impression.<sup>1</sup> It was not, however, backed by any concerted opposition on the part of the industry as a whole. The Shipowners' Parliamentary Committee, the Chamber of Shipping, and the Liverpool Steam Ship Owners' Association confined themselves to suggesting certain modifications of detail, such as provision for allowance in respect of repairs and renewals inevitably postponed until after the war.

With the Excess Profits Duty itself we shall deal later ; but there is one point that must be mentioned here. It has been alleged that from the date (21st September) when the Chancellor of the Exchequer announced the Excess Profits Duty of 50 per cent., the shipowners set to work to raise freights until the 50 per cent. left to them became equivalent to the whole profits before the tax was imposed, thus defeating its object, by passing the whole burden on to the consumer.<sup>2</sup>

It is undoubtedly true that freights, which had been stabilized to some extent during the summer of 1915, began to rise again in September of that year, nor is it improbable that the effect of the new taxation was to stiffen the attitude of some owners towards charterers. It is quite clear, however, that neither the whole nor any large proportion of the new advance can be attributed to this cause. In the first place, any general attempt by British shipowners to extort freights appreciably above the level dictated by the relation of supply and demand would have been automatically checked by neutral competition. In the second place, the rise in freights followed naturally and closely the development of the shipping position.

The comparative stability of freights during the summer of 1915 may be attributed, in the main, to three causes. First, the

<sup>1</sup> *Hansard*, 27 October, 3 November 1915.

<sup>2</sup> See Cuthbert Maughan, 'The Shipping Problem', in *Quarterly Review*, No. 447, April 1916.

initial dislocation caused by the war had died away, and trade had settled down into its new channels; secondly, the utilization of prize tonnage and the economies effected in the use of requisitioned shipping, especially the system of temporary release, had increased the carrying-power available; thirdly, the volume of trade to be carried had itself declined. In particular, British imports of wheat and flour, for the six months ending October 1915, were less by 650,000 tons, or 21 per cent., than in the previous year.

The Board of Trade were inclined to attribute this fall in imports either to the effect of high freights or to an actual shortage of tonnage in the trade with North America, whence most of the wheat was now coming. They accordingly communicated with the Chamber of Shipping and the Liverpool Steam Ship Owners' Association, inviting their co-operation in seeking a remedy. Both bodies, in their reply, denied that either freights or tonnage were at the root of the problem. North Atlantic wheat is mainly a liner trade, and the Liverpool Association were able to show that, despite all difficulties, the services had been maintained on a scale fully commensurate with normal requirements.<sup>1</sup> As regards freights, these were a much smaller obstacle to importation than the rise in f. o. b. prices. The war had established the agricultural countries in a very strong position, and shippers were generally holding out for higher prices than importers were willing to pay in view of the abundant harvests available.<sup>2</sup> The position was further complicated by the progress of the Gallipoli campaign, as the opening of the Dardanelles would at once release a large amount of grain in Black Sea ports; and there is some evidence that the Government purchases of wheat, the action taken with regard to the Indian surplus, and the continual uncertainty as to further State activities tended to discourage private imports.

It was evident, however, that large shipments during the autumn and winter months would be necessary in order to make good the deficiency, and the Liverpool Association themselves doubted whether the liners would be able to carry the quantities

<sup>1</sup> Of 73 vessels maintained by members of the Liverpool Steam Ship Owners' Association in the North Atlantic trade, 43 had been requisitioned. To replace these, 32 vessels had been chartered or transferred from other services. Including new tonnage 65 ships were now running. The requisitioned ships included three or four big passenger liners of comparatively small cargo capacity.

<sup>2</sup> *Statist*, 13 November 1915, p. 504.



required for making up the leeway unless additional tonnage could be attracted into the trade. In this connexion they made the significant admission that tramp steamers showed a tendency to avoid the North Atlantic, as the frequency with which ships on the shorter routes arrived in British ports rendered them particularly liable to requisition. The liner companies, with their fixed services to maintain, had already chartered a considerable amount of tramp tonnage to replace lost or requisitioned ships; but to obtain further tonnage they would have to pay rates sufficient to indemnify the tramp owners against the increased risks of requisition, and they were hesitating to pay these rates in view of the existing uncertainty with regard to Government action.

For these reasons the Association proposed that ships engaged in this essential service should be guaranteed exemption from requisition for a limited period. This concession was actually made by the Transport Department during October, but was almost immediately withdrawn owing to increasing military demands. Nevertheless a certain amount of outside tonnage was attracted, and the lines themselves diverted additional vessels into the North Atlantic. The result, however, was neither an increase in shipments nor a fall in freights. Importers were still holding back, and freights continued to rise.

The true cause of this new advance was that the situation was steadily deteriorating. During the second and third quarters of 1915, British shipping to a total of 580,000 tons was destroyed by the enemy, and only half that amount was launched. Meanwhile the operations in the Mediterranean led to an increased demand for troopships, hospital ships, and store-ships. At the same time, the delays arising from port congestion grew more and more serious. The Board of Trade Committee had introduced some minor improvements in organization, and a Co-ordination Committee at Liverpool, appointed in response to the appeals of the Liverpool Steam Ship Owners' Association, had done much good work at that port; but no steps had yet been taken to grapple with the main causes of port congestion.

The extent of the evil was revealed by a personal investigation of conditions at the principal ports, undertaken early in the year by Major T. H. Hawkins, R.M.L.I., the Secretary of the Com-



mittee for the Diversion of Shipping. This Committee, originally appointed for the purpose of diverting vessels, when necessary, from the North Sea, was in close touch with the shipowners, through the War Risks Associations, who were strongly represented on it, and served to some extent as a link between the Government and the industry. It was now able to confirm fully the contentions put forward in the shipowners' memorandum of 22nd January. At almost every port there was an acute shortage of labour, carts, and trucks; the quays and transit sheds were choked with accumulated goods; the process of discharge occupied from 25 to 50 per cent. more than the normal time, and ships were constantly kept waiting for days before they could obtain a berth.

Armed with Major Hawkins's reports, the Committee did their utmost to rouse the Government to a sense of the gravity of the situation; but their representations were either ignored or went astray in the mazes of departmental routine, and it was not until the autumn of 1915 that the attention of Mr. Austen Chamberlain, President of the Man Power Board, was attracted by certain statements in the reports, with the result of bringing the whole question prominently to the notice of the Government. This led to the appointment, on 7th October, of a Joint Committee, composed of members of the Board of Trade and Diversion Committees, for further inquiry into the problem, and finally, on 3rd November, to the appointment of the Port and Transit Executive Committee, with wide, if somewhat ill-defined powers over all questions relating to the flow of traffic through the ports.

The Port and Transit Committee, on which the shipowners were strongly represented, lost no time in turning its attention to the root causes of port congestion as disclosed in the memorandum of January 1915 and the reports of the Diversion Committee. Strongly opposed to unduly centralized direction, they kept their executive powers as much as possible in reserve, working through and with the local Port Authorities and the various Government Departments and associations of shipowners and merchants, and aiming above all at providing a clearing-house for the daily distribution of information as to conditions at the ports, and for co-ordinating, in accordance with this information, the demands upon them. In this respect their labours were fruitful from the

first, excellent results being obtained with a minimum of friction ; but in their attempts to deal directly with the main causes of congestion, they encountered greater difficulties. Their programme comprised the pooling of railway trucks, the imposition of penal rents on goods not promptly removed from the quays, the protection of transport workers from recruiting, and the provision of a mobile labour reserve from men enlisted for Home Defence, on lines suggested in Major Hawkins's reports. In all three directions they had to encounter strong departmental opposition, and it was not until the summer of 1916 that they were able to report a really substantial improvement in port conditions.

Meanwhile, the combined effect of losses, requisitioning, and delays was driving up freights to an extravagant height. The average freights on a quarter of wheat from New York to Liverpool had been tolerably steady during the summer at round about 7*s.* 10*d.* to 8*s.* ; in September they rose to 9*s.*, in October to 9*s.* 6*d.*, and in November to 13*s.* 4*d.* Freights on coal exports and other bulk cargoes showed a similar advance.

Even yet there was no sign that the Government had become seriously alarmed as to the possible effect on supplies of the shortage of carrying-power ; but beset as they were by continual complaints both as to the influence of freights on the cost of living and as to shipowners' profits, they viewed this new advance in freights with the utmost alarm. The Board of Trade was now closely in touch with the Chamber of Shipping and the Liverpool Steam Ship Owners' Association, and on 15th October representatives of these bodies met Mr. Runciman in conference.

On one point both the great shipowners' organizations were agreed : the advance in freights was due to a real deficiency in carrying-power, and the main problem was to provide a remedy for this deficiency. They concurred, therefore, in emphasizing the importance of removing restrictions on shipbuilding, economizing the use of requisitioned tonnage, and taking steps to obviate delays in port. Beyond this, there was a divergency of opinion.

The two specific points to which the Board of Trade directed their inquiries were the situation with regard to freights and tonnage in the Atlantic grain trade, and the alleged waste of tonnage involved in the continuance of the trade between foreign

ports. It was to these two points that public attention was mainly directed, and while the shipowners were unanimous in representing that no solution could be really satisfactory unless it went to the root of the tonnage problem, the Chamber of Shipping felt it incumbent on them to put forward proposals for meeting the immediate emergency. Sir Kenneth Anderson, the Chairman, accordingly suggested that, if tonnage could not otherwise be found for grain, a Committee of shipowners should be appointed with power to requisition the ships required, and that steps should be taken to regulate by licence voyages between neutral ports.

To requisition tonnage for the carriage of part only of a particular import, while leaving all other shipments to the chances of a market inadequately supplied with shipping, was an admittedly risky experiment, and could be justified, if at all, only as an emergency measure. For the licensing proposal there was more to be said in principle. It was true that many voyages made between foreign ports were of great importance to British commerce and finance, and could not be suspended without serious consequences; but if the tonnage available for all purposes remained inadequate, it might well come to a choice of evils, in which the last word would properly lie with the State. Moreover, it was alleged that many shipowners deliberately preferred the acceptance of charters for voyages between foreign ports, as ships trading in distant waters were less liable to requisition than those bringing cargoes to the United Kingdom. The extent of this evil was probably exaggerated, for a comparison of the entrances at British ports with the tonnage remaining available for trade shows clearly that the proportion of British shipping trading wholly abroad had largely decreased since the outbreak of war; but we have seen that the Liverpool Steam Ship Owners' Association admitted the aversion of tramp steamers to the North Atlantic trade, and there is no doubt that there was a growing inclination among some owners to prefer voyages that entailed the minimum risk of requisition. However strong the temptation presented by the contrast between market and Blue Book Rates, this was not a practice that could be defended. It was intolerable that the work of the Transport Department should be hampered and the



supply of the country endangered for the sake of private profit, and it was wholly unjust to more scrupulous owners, on whom it threw a disproportionate share of the burden of requisition.

Nevertheless, the Liverpool Steam Ship Owners' Association dissented from both the Chamber of Shipping proposals. They pointed out that they themselves would be little affected, as 35 per cent. of their ocean-going tonnage was already under requisition on 1st October 1915, and 91 per cent. of the remainder was employed on voyages to or from ports within the Empire. They feared, however, that all advantages of a licensing system would be outweighed by the delays caused through compliance with the necessary formalities, and by the danger that any sudden withdrawal of British ships from abroad would lead to a corresponding withdrawal of neutral shipping from the trade of the United Kingdom. As an alternative, they suggested that, by framing the requisitioning programme in advance, the incidence of requisition might be adjusted so as to fall more instead of less heavily on the less immediately important trades. Even so, they contended that neither requisitioning for grain cargoes nor a readjustment of British services would go to the root of the problem.

In the view of the Association, the problem of freights was only a minor aspect of the problem of supplies ; the whole trouble arose from the inadequacy of the world's carrying-power to the demands upon it, and no satisfactory solution could be found except through an increase in the supply of tonnage or a reduction in the demand. Hitherto, the consumption of goods in the United Kingdom had been little affected by the war ; but to continue the present rate of consumption involved maintaining a volume of trade with which neither the ships nor the ports could cope adequately under existing conditions ; hence freights were continually forced up by intensified competition, the flow of traffic itself was clogged by the congestion of the ports, and the carriage of necessities was jeopardized by the freedom with which non-essential commodities were imported. The Association submitted, therefore, that if the available carrying-power could not be increased, the only alternative to leaving non-essential cargoes to be excluded by the continuous rise in freights was for the Government itself to exclude,



by prohibition or taxation, such imports as were not essential under war conditions.

The strongest argument in favour of this proposal was undoubtedly that chiefly emphasized by the Association, the safeguarding of essential supplies. So long as the demands of importers exceeded the capacity of the ships and ports, it was clear that something must be shut out, and the only criterion of urgency that the shipowners could apply was the freight that importers of competing commodities were prepared to pay. Even if the owners could throw aside all personal considerations, they lacked the knowledge to make any but an arbitrary selection, nor could they have undertaken the task of selection without endless friction with shippers and importers. In some countries, indeed, they would have rendered themselves liable to legal penalties by failing to perform the obligations imposed on them as 'common carriers'. The freight test, however, was no longer a safe criterion. It was not merely a question of the luxury trades, the volume of which was small, but of a choice between commodities commonly regarded as necessities; and only the Government were in a position to say, in the light of war requirements, what imports were and what were not essential. The task lay well within their scope; it was capable of administrative solution; while it must inevitably inflict hardship on many trades, it involved no arbitrary interference with the working of the commercial machinery; it was a question of indicating the aims rather than of directing the methods of national effort.

At the same time, it provided an effective solution of the freight problem. If the volume of cargoes on offer could be brought within the compass of the shipping available, the effect would be the same as if the capacity of the shipping itself were suddenly increased; the shipowner would again find himself in the position of competing for the cargoes available, instead of choosing between a multitude of competitive offers. The reduction of freights would come as a natural consequence, without any interference with the freedom of the markets in respect of the goods allowed to be carried.

The Government, however, shrank from the responsibility involved. The exclusion of non-essential imports by administra-

tive action was bound to inflict hardship on the trades affected and on the countries whose products were excluded. Many protests would be received, much difficulty might be experienced. They were not yet sufficiently convinced of the gravity of the situation to face the task.

While the demand for tonnage was thus left unrestricted, little was done to increase the supply. The shipyards were still mainly occupied with Admiralty orders, and the output of mercantile tonnage during the last quarter of 1915 and the first quarter of 1916 dwindled, in each period, to less than 100,000 tons, about a third of the current rate of loss through enemy action and marine risks.

It remained to apply such palliatives as were possible, and both proposals of the Chamber of Shipping were adopted. A Requisitioning (Carriage of Foodstuffs) Committee was formed from the members of the Transport Advisory Committee, with the Rt. Hon. J. H. Whitley, M.P., as Chairman, and was given power, by Order in Council of 10th November 1915, to requisition ships for the carriage of foodstuffs and of any other articles of commerce. A Ship Licensing Committee was composed of representatives of the Chamber of Shipping and the Liverpool Steam Ship Owners' Association, under the chairmanship of Mr. Maurice Hill, K.C., and by another Order in Council of 10th November all British steamships of 500 tons gross and over were prohibited from carrying cargoes between ports outside the British Empire, except by licence of the Committee. Both Committees were appointed by and responsible to the Board of Trade.

In practice, the Requisitioning (Carriage of Foodstuffs) Committee confined its activities solely to wheat, and did not requisition. The Board of Trade fully appreciated the arguments against employing requisitioned tonnage for the carriage of private cargoes comprising only a portion of an import, and while the name given to the Committee was agreeable to the public, the instructions on which it acted were simply to *direct* into the North Atlantic trade such additional shipping as might be necessary to provide for lifting grain imports up to a weekly figure fixed by the Cabinet Committee on Food Supplies. The ships thus diverted to North American ports were left free to fix charters on the market at

whatever freights they could obtain ; but the right of direction was intended to be used in such a way as to create a small surplus of supply over demand, and thus produce a gradual fall in quotations.

In the calculation of available tonnage, great assistance was received from an arrangement with the North Atlantic Liner Companies, who undertook, at a conference on 15th December, to load wheat and flour up to 50 per cent. of the dead-weight capacity of the fleets. The balance, to be made good by tramp tonnage, was calculated on an estimate of market requirements obtained from trade sources and on figures supplied by the Government as to shipments to be made on their account for the wheat reserve which they were again building up. The purchase of this Government wheat, as well as of wheat, flour, and maize for the French Ministry of War and the Italian Government, was entrusted in December 1915 to a Joint Committee, who chartered tonnage on the open market through the agency of Messrs. Ross T. Smythe. As ships so chartered were, for the time being, exempt from requisition, they were usually obtained at freights somewhat below the general market level.

As a corollary to this arrangement for joint purchase, the Carriage of Foodstuffs Committee were instructed, in January 1916, to direct ships to load for French and Italian as well as for British ports, and a large measure of assistance was thus afforded to the Allies. It cannot be said, however, that the operations of the Committee were an unqualified success. The total imports fell well below the minimum fixed by the Cabinet Committee, for importers were still inclined to hold back owing to high f.o.b. prices abroad and uncertainty as to the probable extent of future Government action. Even so, tonnage was still short, for the Committee appear at first to have allowed too much for the effect of casual fixtures in the ordinary course of business, which their own operations tended to discourage, especially in respect of neutral ships. The directed tonnage thus proved inadequate even to market requirements, and freights, instead of falling, rose steadily till March 1916. In February, however, they changed their policy and began to direct tonnage in excess of estimated requirements. The result was that, although the market was now



buying more freely, freights fell from April onwards, though they remained well above the level of 1915. This fall in freights, however, was dearly purchased, for not only did the policy of direction in excess of requirements involve a waste of carrying-power, but the rush of imports, especially of Government shipments, caused acute congestion at British ports in the summer of 1916.

Meanwhile the work of the Ship Licensing Committee proceeded smoothly and without friction. Not only the members, but the Chairman, a lawyer with wide experience of shipping, realized the vital importance of avoiding any delay to sailings, and save for a few instances where insufficient particulars were supplied in the application for a licence, no ship was kept waiting a day for their decision.

By the instructions received from the Board of Trade, the Committee were required to show special consideration to ships trading in the interests of Allied countries, and to voyages which, though made between foreign ports, were directly ancillary to British trade. In the last-named category came the carriage of goods by liners between foreign ports of call, and cross-voyages made for the purpose of avoiding a passage in ballast. Permanent services established before the war were also to be leniently treated, in view of the importance of preserving trade connexions. So far as voyages made purely in neutral interests were concerned, the main consideration was to avoid any sudden dislocation likely to result in a withdrawal of neutral shipping to fill the vacuum, but a preference was to be given to cargoes carried for neutral firms who had given undertakings against trading with the enemy, and ships on time-charter had generally to be left alone, as any breach of contract might lead to the arrest of the vessel in a neutral port when loading cargo for the United Kingdom.

A recital of these instructions is sufficient by itself to show how difficult was the task entrusted to the Committee, how closely the traffic between foreign ports was bound up with British and Allied interests, and how little the true facts were understood by those who demanded the withdrawal of all ships from that trade. The actual work of the Committee emphasized this lesson. By 4th January 1916 they had granted licences to 1,355 ships. Of



these, 966 were covered by general licences granted to liner companies to carry cargo by named ships, between named ports, during the continuance of the licence. The remainder were voyage licences granted to tramps for a particular fixture. Of the whole number of ships affected, 742 were engaged in voyages ancillary to British trade, and 316 were employed in Allied interests. Only 298 were engaged wholly in neutral trade, and these included many vessels running on coastal services and unsuitable for ocean voyages. The others received their licence either because their cargoes (such as nitrate for the American munition factories) were really carried in Allied interests or because of the exchange value of their services.

The disquieting feature of the report was that it revealed how little this source could be relied on in the future for the provision of tonnage to carry British imports. The ships already drawn in by the Licensing Committee afforded some assistance, but did not go far to make good the deficiency. Indeed, the tonnage crisis grew steadily more and more acute, for though the Gallipoli campaign had now been abandoned, the requirements of the Salonika expedition were large, and urgent appeals for assistance had been received from the Allies. Ships were being requisitioned at the rate of 100 a month, and there was no sign of any approach to finality in the demands.

Nevertheless, the Licensing system had proved a success. It had procured some additional tonnage for British trade; it had put an end to the possibility of ships escaping requisition by the acceptance of neutral charters; it had provided an additional instrument for the restriction of enemy trade. Moreover, the Committee had used their powers to prohibit voyages from abroad to the more congested Allied ports, and at Genoa in particular, the temporary diminution of arrivals had enabled the accumulations to be cleared. So well had the system worked that it was decided to extend the powers of the Committee, and by an Order in Council of 15th February 1916 the necessity of obtaining a licence was extended to all voyages by steamers of 500 tons gross and upwards, registered in the United Kingdom, whether laden or in ballast; and whether between British or foreign ports. These new powers were used specially for the discouragement of unnecessary ballast

voyages and of voyages, whether from Great Britain or elsewhere, to congested ports.

Such steps, however, though they might restrict, could not prevent the steady deterioration in the tonnage position, with the consequent rise in freights. In many directions tonnage was not only dear but practically unprocurable, and towards the end of 1915 it became necessary to use requisitioned ships to lift nitrate and pyrites for munitions purposes. A proposal was also made to requisition for ore; but in view of the danger of driving free and neutral shipping out of the trade, this was rejected. There was, however, a growing tendency to rely on the requisition of ships or space for the carriage of Government cargoes, and the French, Russian, and Italian Governments were all making large demands for the allocation of requisitioned tonnage. The Italians in particular, who were entirely dependent upon imported coal for the working of their ships, railways, and industries, complained bitterly of the manner in which they were being bled by British shipowners, and demanded as a mere act of justice the same assistance as was already accorded to France. The facts were that, of the ships engaged in carrying coal to Italy 80 per cent. were foreign—Italian or neutrals—and in every instance the freights obtained by foreign shipowners were higher than those paid on cargoes in British vessels.<sup>1</sup> Nevertheless the Government felt themselves obliged to give Italy some assistance, both in order to assure the regularity of supplies and to reduce their cost. Other claims by the three Allied Governments were equally difficult to resist.

With the demand for tonnage thus intensified in every direction, while the total available was stationary or diminishing, the question of allocation became of the utmost importance, and on 27th January 1916, as the result of strong representations by the Transport Advisory Committee, the Prime Minister appointed the Shipping Control Committee, under the Chairmanship of Lord Curzon, for the purpose of deciding on the allocation of requisitioned tonnage and advising the Cabinet with reference to ships required for naval and military purposes.

This appointment was a landmark of great importance in the

<sup>1</sup> *Hansard*, 17 February 1916 (Mr. Runciman).

history of the general tonnage supply problem, but it had less direct effect on the shipping industry itself than the majority of the developments already described. Before dealing with the events which led to the absorption of the Committee into a much more direct and centralized control, it is necessary to study in a little greater detail the conditions in which the industry was working at the beginning of 1916.



## CHAPTER X

### SHIPPING AND THE STATE IN 1916

By the beginning of 1916, the whole of the British Mercantile Marine, including even the ships classified as 'free', had been brought under some form of control. The extent of that control, however, differed widely as between one category and another; the authorities to whom the ships were responsible, the limitations placed upon their employment and earnings, the degree of discretion and responsibility left to their owners, presented a bewildering variety.

Excluding prizes, oil tankers, and ships locked up in the Black Sea and Baltic, or interned in enemy ports, the total number of ocean-going steamers under the British flag, as shown by a return of 25th May 1916, was 3,572.<sup>1</sup> Of these, 1,313, or 37 per cent. of the total, were fully requisitioned, or under notice of requisition; 680, or 19 per cent., may be classed as 'directed' vessels; 1,579, or 44 per cent., were nominally 'free'. These proportions remained fairly constant throughout the greater part of the year, though the efforts of the Shipping Control Committee to economize the use of requisitioned tonnage led to a slight increase in the percentage of 'free' ships.<sup>2</sup>

Of the fully requisitioned ships, the greater number were in naval or military employment, or in the service of the Allies. The only important section of British trade carried wholly in requisitioned tonnage was sugar, for which, in the busy season, 60 or 70 steamers were required. A few others were carrying nitrate and pyrites, mostly for munitions purposes, or flax and timber, on Government account, from the White Sea. In addition, ships whose

<sup>1</sup> Tankers were excluded from the return as not interchangeable with other vessels and therefore unavailable for general purposes.

<sup>2</sup> On 30 September the proportions were: fully requisitioned, 36 per cent.; 'directed', 17 per cent.; 'free', 47 per cent.

owners had refused temporary release were fixed by the Transport Department to bring ore and occasional general cargoes from the Mediterranean and elsewhere.

Over the whole of this great block of shipping the owners had ceased to exercise any sort of control. They were still responsible for manning, victualling, storing and repairing the ships, with the exception of Armed Merchant Cruisers and other vessels requisitioned on net charter terms, but they had no voice in deciding their employment, and even the destination and whereabouts of the vessels were often kept secret from them. Although they were responsible, under the terms of the charter parties, for the safe and proper stowage of Government stores and cargo, the operation of loading was supervised by Government officers and agents. The work was frequently performed in such a way as to render it impossible for the ships' officers either to keep an accurate tally or to ensure proper stowage, and in practice, the Transport Department were often obliged, in equity, to relieve the owners of their liability. Discharge was carried out entirely by Government officers or agents. The entire responsibility of the owners was, in fact, confined to bare manning and maintenance. Their remuneration was the fixed Blue Book Rate of hire.

The 'directed' vessels differed from those fully requisitioned in that control extended only to the nature of their employment. They fell into three distinct categories. In the first place, there were temporarily released vessels bringing ore from the Mediterranean, flax and timber from the White Sea, and general cargo from various ports. These ships were under strict direction as to the port of loading and the nature of the cargo; but were free to accept market rates of freight. They were, however, under the obligation of re-delivery to the Transport Department on the completion of their discharge.

In a second category stood the ships carrying wheat to the United Kingdom, France, or Italy, under direction of the Requisitioning (Carriage of Foodstuffs) Committee. These ships, like those on temporary release, were free to accept current market rates; but they were under strict instructions as to the cargo to be lifted and the ports at and for which they should load, and we have seen that the power of direction was used, at any rate in

the North Atlantic, to force down market freights.<sup>1</sup> Ships chartered by Messrs. Ross. T. Smythe to carry grain for the British or Allied Governments may be included in the same category, as they were attracted into the trade by temporary exemption from requisition, and were subject to the same influences as regards North Atlantic freights.

Finally, some 300 to 350 steamers had been exempted from requisition at the request of Allied or Dominion Governments, on the ground that they were either chartered to those Governments themselves, or employed in services which they regarded as essential. The earnings of these ships were above Blue Book rates, but the threat of requisition was used both to retain them in their employment and to prevent or restrict any increase in freights as the current charters ran off. They thus enjoyed neither the full liberty nor the full profits of 'free' ships, but in all other respects their owners stood in the ordinary relations of the shipowner to the charterer.

Turning now to the 'free' ships, it must be remembered that their freedom was restricted by the necessity of obtaining from the Ship Licensing Committee a licence for every voyage made, whether laden or in ballast, and whether in British or foreign trade. This system of licensing was used to discourage voyages to congested ports or unnecessary ballast passages, and had been applied so successfully to comb out the ships trading abroad that only 400 steamers, exclusive of those 'black-listed' for the Allied and Dominion Governments, were now trading wholly between ports abroad, and fully half of these were vessels on Colonial Register.

This Licensing System, however, was by no means the only restriction on the liberty of 'free' ships. It did not follow, because a ship was counted as 'free' in the Transport Department returns, that her owner could dispose, at current freights, of her whole cargo-carrying capacity. The whole insulated space on Plate and Australasian liners had, as we have seen, been let to the Board of Trade, on fixed terms, for the period of the war, and the Board had acquired thereby a considerable degree of control over the running of the vessels themselves. Moreover, a large number of ships,

<sup>1</sup> A few ships were directed to load at Plate ports, but the number was insufficient seriously to affect quotations. A rather larger number were directed to Karachi, but the fall in Indian freights appears to have been due mainly to other causes.

nominally 'free', were carrying Government cargo or passengers for the Transport Department, on special terms which approximated to Blue Book Rates.

Although all important troop movements were effected by fully requisitioned shipping, drafts and details were frequently carried in ordinary passenger liners, either at current commercial rates or at slightly lower rates fixed by tender under the Transport Regulations. Horses and mules were also carried, mainly as whole cargoes, on terms and conditions approaching more or less closely to ordinary commercial practice. It was, however, mainly in connexion with the carriage of munitions and Government stores as part cargoes that 'free' ships came into direct relations with the Transport Department.

The vessels carrying such part cargoes were officially known as 'Freight Ships', the engagement being entered into on ordinary commercial lines, and the owners paid, not Blue Book Rates, but an agreed freight per ton of cargo actually carried. In all negotiations, however, the Transport Department held a trump card, in the shape of their requisitioning powers, and in this way they were able to obtain quotations a long way below the current market rates.<sup>1</sup>

Whether Freight Ships carried goods, animals, or men, the Government accepted responsibility for all demurrage or deviation due directly to its own action (as where the ship was required to discharge Government cargo at a port not usually visited), leaving the shipowner to bear the cost of all deviation or delay due to marine risks or to the general effects of a state of war, such as mounting or transferring guns, port congestion, or detention to avoid submarine risk. On ships carrying horses and mules as a full cargo, the Government assumed liability for War Risks. Where stores were carried as part cargoes, the Transport Department denied, in theory, the liability of Government to contribute to General Average; but as an act of grace, such contributions were paid in practice, subject only to the shipowner's due performance of his contract.

From using the threat of requisition to obtain low rates for the

<sup>1</sup> Thus, in the spring of 1915, a rebate of 25 per cent. was obtained from a liner company on all shipments of munitions from the United States.



carriage of part cargoes, it was a short step to requisitioning space on 'free' ships for the carriage of Government imports, and towards the end of 1915 the practice of requisitioning space began to be substituted for the ordinary freight arrangements. The distinctive feature of this system was that a definite proportion of the vessel's carrying capacity was required to be placed at the disposal of the Transport Department, as an alternative to the full requisition of the ship, and was paid for on a voyage basis roughly equivalent to the cost of carrying the goods in a fully requisitioned ship.

It was in the North Atlantic that this system attained its greatest proportions. The big munitions imports could only be carried by making full use of the great liner services; it was not occasional full ship loads but a continual stream of part cargoes that was required. This was not a problem that could be solved by simple requisition; it involved an agreement that would place the full services of the great liner organizations at the disposal of the Government. Negotiations were accordingly opened with the leading companies, and an agreement was arrived at by which they agreed, as from 1st January 1916, to carry all munitions at a fixed 'Government Freight Rate', and to forgo all claims for demurrage or for diversion from East Coast to West or South Coast ports, whether for considerations of safety or for convenience of discharge. The same principle, in which the systems of 'Freight Ships' and 'Requisitioned Space' were practically merged, was shortly afterwards applied to the carriage of Government stores on all routes.

The North Atlantic Government Freight Rates in January 1916 amounted to 40s. per shipping ton, as compared with a market rate of at least 46s. 9d. for cargo of the same class;<sup>1</sup> but as the war went on, the discrepancy continually increased until, in July 1917, when the Government Rate was raised to 70s.,<sup>2</sup> it was less than one-third of the market rate, which then stood at about 250s. The monetary saving was, therefore, great, and as compared with the ordinary Blue Book terms, the arrangement had the

<sup>1</sup> It must be remembered that the Government Rate covered the concessions as to waiver of claims referred to in the preceding paragraph.

<sup>2</sup> In 1917 these freights went not to the owners but to the Ministry of Shipping. See Chapter XIV, *post*.

advantage that the shipowners remained responsible for loading and discharge and were paid on a ton, not on a time basis, so that the normal incentives to dispatch were fully maintained.

The minimum proportion of space reserved for munitions on the North Atlantic liners varied, at the beginning of 1916, from 20 to 30 per cent. in different ships. In addition, it will be remembered that, by agreement with the Carriage of Foodstuffs Committee, 50 per cent. of the dead-weight capacity was reserved for wheat, for which, however, the owners were free to accept market rates. During the summer it became apparent that the policy of forcing shipping into the North Atlantic grain trade threatened to produce severe congestion at the West Coast ports, and in consequence of urgent warnings by the Port and Transit Executive Committee and the Shipping Control Committee, the weekly imports for which tonnage had to be provided were considerably reduced. The agreed proportion of wheat and flour was accordingly reduced for the time being, to 33 per cent. of the dead-weight capacity.

There were thus considerable limitations on the earnings even of 'free' ships. All munitions and Government stores were carried at fixed rates, well below the current market level; all meat was still carried at the rates fixed early in 1915; all North Atlantic wheat, in 'free' liners as well as in directed tramps, was carried at freights forced down by the action of the Carriage of Foodstuffs Committee.

So effective were the operations of the Committee in this respect, that North Atlantic Grain Freights, which had risen from 14*s.* 8½*d.* at the beginning of the year to 16*s.* 11*d.* in March, had dropped by July 1916 to 8*s.* 2*d.* per quarter. From this low-water mark they speedily rose, when the stream of directed tonnage was reduced; but they remained well below the spring level.

Apart from these semi-directed rates and from more direct schemes of freight limitation to be subsequently mentioned, the course of freights during 1916 was marked by considerable fluctuations. During the opening months of the year the new advance that had set in towards the end of 1915 was fully maintained, and on most routes even the abnormal quotations of 1915 were left far behind. The summer months, however, were marked

by a reaction, the cause of which must be sought in the efforts that were being made to grapple with the primary problem of inadequate carrying power. The work of the Shipping Control Committee, the Ship Licensing Committee, and the Port and Transit Executive Committee belongs to the history of supplies rather than to the history of shipping, but the effect of their operations was distinctly reflected in the freight markets.

By withdrawing from the trade between ports abroad such ships as could best be spared and were least likely to be replaced by neutral vessels trading to British ports, the Ship Licensing Committee had added somewhat to the tonnage available for British imports, and they laboured continually to increase the effective carrying-power of that tonnage, by refusing licences for voyages to congested ports and by discouraging unnecessary ballast passages. It fell to them also to enforce, so far as free shipping was concerned, a decision obtained from the Cabinet by the Shipping Control Committee, in April 1916, that tonnage in the employment of the Allies must be definitely restricted to that already in their service on 1st May.

This decision was of the utmost importance, for the demands of the Allied Governments were continually increasing, and bore little relation to the shipping resources actually at the disposal of Great Britain. So long as the fulfilment of those demands was treated as a matter of course, not only was the tonnage available for the carriage of British imports liable to continued depletion, but the necessity for fulfilling emergency demands at short notice was a fertile source of wasteful dislocation. Moreover, the demands of the Allies, more particularly for collier tonnage, far exceeded the capacity of their ports to handle the ships, and all through the year the delays to vessels at the French coal ports continued to exercise the minds of the Shipping Control and Licensing Committees.

In addition to limiting the allocation of shipping to the Allies, the Shipping Control Committee, with the aid of the Transport Department, the Admiralty, and the War Office, were able to procure very considerable economies in the employment of ships on naval and military service. The Transport Department itself had been so reorganized towards the end of 1915 as greatly to



increase its efficiency. The whole executive work of requisitioning ships for the Naval and Military Branches or the Allies had been centralized in a Requisitioning Branch under Mr. J. A. Salter, under whose care it was provided with a remarkably efficient card index of British shipping, subsequently extended to Allied and neutral vessels. In this index the particulars and movements of all British ships were recorded from day to day, and its institution greatly facilitated both the administrative work of the Department, and the preparation of statistical data to assist the Shipping Control Committee or the Government in deciding questions of policy.

In December 1915 a Commercial Branch was added to the Department for the purpose of dealing with all requisitioned vessels carrying commercial cargoes either for Great Britain or the Allies, including those on temporary release. By March 1916 this Branch was fully established, under Sir Percy Bates, a Director of the Cunard and Anchor Lines. It was staffed mainly by men with shipping or commercial experience, and was organized in three sections, dealing respectively with sugar, ore, and miscellaneous services.

The reorganization of the Transport Department greatly facilitated the economical use of requisitioned tonnage, and the Naval Authorities, who had been thoroughly alarmed by such revelations as those contained in the report of the Mediterranean Transport Commission, were genuinely anxious to co-operate. Constant pressure, both from the Transport Department itself and from the Shipping Control Committee, led to many economies being effected, and the combined effect of these economies and of the limit placed on allocation to France and Italy was to reduce the tonnage of ocean-going shipping in the service of the Army, Navy, Dominions, and Allies, from about 7,450,000 tons gross in May to 6,650,000 in September.

Meanwhile, the curve of losses showed a decided fall. Throughout the winter of 1915-16, submarine activity had been mainly confined to the Mediterranean, and so heavy were the losses in that sea that, in March 1916, it became necessary to prohibit the use of the Suez Canal by ships bound to or from Australia and the Far East and send them by the Cape route. Later, Indian shipping also was diverted. In March 1916, too, the attack broke out



again in Home Waters ; but from May onwards, the activities of the submarines, outside the Mediterranean, were greatly restricted as the result of the United States protest against the attack on the cross-Channel steamer *Sussex*. Instructions which practically forbade the torpedoing of a merchantman without warning went a long way to hamper the U-boats in waters where a British patrol might at any moment be encountered. Moreover, considerable progress had been made in the provision of defensive armament. By August 1916, some 40 per cent. of the ocean-going ships under the British flag had been fitted for guns, and while few unarmed ships attacked by a submarine succeeded in escaping, four out of five defensively armed ships similarly attacked evaded destruction.<sup>1</sup>

The total rate of loss from war causes was still much above the rate of replacement ; but the margin was not sufficient to neutralize the effect of the tonnage economies already referred to. Between May and September, the total ocean-going shipping available diminished by 200,000 tons ; that available for the import trade of the United Kingdom increased by about 600,000.<sup>2</sup>

At the same time, the effective carrying-power of the ships was considerably increased by the success of the Port and Transit Executive Committee in clearing up the congestion at the ports. In addition to acting as a clearing-house for information, and a co-ordinating link between the Port Authorities and the various Departments and interests using the ports, the Committee had taken specific steps to deal with the three main causes of congestion : shortage of labour, shortage of trucks, and the use of quays and transit sheds for storage purposes.

Further depletion of the labour supply was restricted by obtaining the inclusion of transport workers in the reserved occupations, first under the Derby Recruiting Scheme, and later under the Military Service Acts. To provide a mobile, centralized labour reserve for dealing with local and temporary shortages caused by fluctuations of traffic, the formation of the first Transport Workers'

<sup>1</sup> Unarmed ships attacked by submarines 1 January to 30 September 1916	138
Unarmed ships sunk by submarines 1 January to 30 September 1916	116
Defensively armed ships attacked by submarines 1 January to 30 September 1916	90
Defensively armed ships sunk by submarines 1 January to 30 September 1916	19

<sup>2</sup> Including requisitioned and directed vessels.

Battalion from men enlisted for home defence only was authorized in March 1916.<sup>1</sup> Its organization proceeded very slowly, owing to the indifference or opposition of the military authorities, and the authorized strength was altogether inadequate to the requirements of the situation ; but from July onwards its work began to show an appreciable effect in preventing the cumulative congestion which hitherto had followed a rush at any port.

Negotiations with the Railway Executive Committee and the Railway Companies themselves, for the pooling of wagons belonging to the different lines, lasted all through the winter of 1915-16, but in January 1916 the Great Northern, Great Central, and Great Eastern Railways agreed to a pooling arrangement, and by April this arrangement was extended to all the main systems of the country. The pooling was at first confined to certain classes of companies' trucks only, and privately-owned wagons remained outside the pool until 1917 ; but from the first the relief was appreciable. Meanwhile, the Committee had obtained power, in February 1916, to impose penalty rents on goods—whether owned by Government Departments or private merchants—which the owners failed to remove from the quays in a reasonable period.

Thanks to the increase in tonnage available for commercial purposes and to the improvement in turn-round arising from the work of the Port and Transit Committee, the shipping situation in the summer of 1916 was a little easier than it had been during the spring, and this improvement, as we have seen, was reflected in a decided check to the upward course of freights. In two important directions, however, it had been considered necessary to restrict by more direct action the increasing cost of transport. The import of ore and a great part of the export of coal had now been removed from the free play of market influences.

Throughout the winter of 1915-16 the freights on Spanish ore had been a source of grave anxiety to the Ministry of Munitions, as under the complicated financial arrangement with controlled establishments every rise in c. i. f. prices was reflected, automatically and disproportionately, in the general cost of production. The Ministry was thus impelled, in March 1916, to guarantee transport

<sup>1</sup> When engaged in work at the ports the men received civilian rates of pay, and every precaution was taken to avoid all suspicion of strike-breaking or the introduction of industrial conscription.

at a fixed rate of 17s. per ton and to assume liability for any difference between this 'parity rate' and the actual freights, which had now risen to 26s. for the voyage from Bilboa to the Tees as against 5s. 4d. before the war. Hitherto the importing firms had made their own arrangements for tonnage, but the Ministry now appointed an official Ore Broker to effect all fixtures, hoping by this substitution of centralized for competitive chartering to force down freights. In this respect the experiment was successful, for freights fell, fairly rapidly, to 18s.; but the natural result was a tendency for ships to desert a trade which the condition of the ports had long made unpopular. This tendency was countered, as regards neutral shipping, by bunker pressure. British tonnage still continued to be supplied, in large part, through the medium of temporary release; but towards the end of the year, when the route became especially exposed to submarine attack, the conditions became so onerous that owners were unwilling to accept temporary release for an ore voyage, especially from some North African ports, to which no owner would willingly send a ship during the winter months. Ultimately it became necessary to allocate fully requisitioned ships to the trade in considerable numbers.

A more direct scheme of freight limitation was applied, in June, to the French coal trade. Coal for the French navy and for the State railways was already carried at Blue Book Rates; but the high cost of commercial shipments had long been a standing grievance in France, which the British Government were anxious, for political reasons, to remove. The Board of Trade accordingly approached the coalowners and the shipowners during the spring of 1916, and in response to their appeal both traders and shipowners consented to a definite schedule of maximum prices and freights. A somewhat intricate licensing machinery was established for the purpose of regulating shipment from Great Britain and distribution in France, the basis of the British organization being a Central Executive Committee in London and local Coal Committees in the chief exporting centres, on both of which shipowners, coalowners, and exporters were equally represented. As regards shipping, these Committees worked, of course, in conjunction with the Ship Licensing Committees.

Owing to the very large proportion of neutral tonnage in the



trade, great caution was necessary in fixing the maximum freights. Any big reduction was certain to drive away neutral shipping, and the Board decided to be content with preventing any further advance. The rates current on 8th March were accordingly taken as a basis; but coal freights, unlike those on inward cargoes, continued to advance steadily all through the summer, and by 1st June, when the Limitation Rates came into operation, they already represented a considerable saving on current quotations.

In the first instance the scheme was confined to French Channel and Bay ports, but during August the Italian Government made an urgent request for the extension of its advantages to Italian imports, and, as the result of a further conference between the Board of Trade and the interested parties, Limitation Rates for shipments to French Mediterranean and Italian ports came into operation on 30th October.

The effect of the Coal Freights Limitation Scheme on neutral tonnage was exactly what might have been expected. As soon as the Limitation Rates were announced, an exodus from the trade set in, which it required all the power of bunker pressure to counteract. Later, when an intensification of submarine activity rendered the coal traffic more and more dangerous, even bunker pressure proved unable to keep neutral ships in the trade, and it became necessary largely to increase the limitation freights even for Bay and Channel voyages, while in the Mediterranean the scheme was practically a dead letter from the first, so far as neutral shipping was concerned.

British ships, of course, were in a different position. Behind all the agreements lay the control given by the licensing system, and in the last resort, the threat of requisition. To do them justice, however, the shipowners appear to have accepted the scheme frankly as a political necessity, and to have co-operated whole-heartedly in carrying it out so far as lay within their power. As regards the Italian trade the pill was gilded by the incorporation in the scheme, at the instance of the Chamber of Shipping, of satisfactory arrangements with regard to demurrage, the collection of which at Italian ports had previously been a matter of great difficulty.<sup>1</sup>

The intensification of submarine activity to which the partial breakdown of the Coal Freights Limitation Scheme was due

<sup>1</sup> See *Report of Proceedings at Annual Meeting*, 2 March 1917, p. 9.



reached its climax with the outbreak of 'unrestricted' warfare in February 1917; but it had made itself felt long before that date and was an important factor, though not, perhaps, the most important, in producing the rapid deterioration of the tonnage position which characterized the last three months of 1916 and led to a new and extremely important development in the relations between shipping and the State. Before discussing this new development, it is necessary, however, to glance at the financial position of the industry as affected by the conditions prevailing throughout the greater part of that year.

## CHAPTER XI

### EARNINGS AND PROFITS, 1915-16

WE have seen that the effect of war conditions during 1915-16 was to drive up freights on all routes to a height which left even the level of the boom years 1912-13 far behind, and though running expenses had also increased, the earnings and profits of shipowners, during the first two or two and a half years of the war, exceeded anything that the oldest shipowner could remember. We have seen, too, that the desire to restrict freights and profits was the predominant factor in the Government's dealings with the industry. Both these objects were in themselves desirable. Every increase in the cost of transport added to the financial burden of the war, and the enormous profits earned by free shipping had, as we have seen and shall see, many undesirable effects from the point of view both of the nation and of the shipping industry itself. This the leaders of the industry would not deny. The opposition offered by many of them to the introduction of certain measures of control was based on the belief that the effect of those measures was to aggravate the root evil—shortage of carrying-power—and on the conviction that the reduction of freights could be better achieved by other methods, more directly concerned with restoring the equilibrium between demand and supply.

It was, indeed, one of the chief evils of abnormal freights that the feeling excited by shipping profits made it almost impossible for the real shipping problem to be discussed on its merits. The statements made in Press and Parliament as to the earnings of the industry played a very important part in the growth of industrial unrest. The allegations of deliberate profiteering brought against the shipowners, mainly unfounded as they were, led to the whole industry being regarded with a suspicion and hostility that called rather for punitive than for remedial measures.

The reaction of the shipowners themselves against charges they regarded as unjust, led, in some instances, to an obstructive attitude which hampered the work of the Authorities.

Moreover, large as were the fortunes made by individual owners, the abnormal boom of 1915-16 was bad morally, and in the long run, financially, for the shipping industry as a whole. The wide discrepancy between market and Blue Book rates constituted a standing temptation to evasion of requisition, and whatever may be thought as to the wisdom of requisitioning for commercial services, there was something inherently demoralizing in conditions which placed a premium on escaping Government service. Further, the result of the abnormal freights obtainable and the abnormal dividends distributed was to attract into the industry outside speculators who had little experience or knowledge of the business, whose attention was concentrated on immediate profits, and whose eager demand for tonnage, new or second-hand, accentuated the inflation of values and helped to prepare the way for a disastrous crash after the war. This evil was increased by the application of the Excess Profits Duty to shipping earnings, and its inapplicability to the sale of ships. In the view of many old-established owners it became more profitable to sell their fleets than to run them, and the result was to increase the speculative at the expense of the more stable elements in the industry. Meanwhile the abnormal inflation of values, while it offered the opportunity of immense profits to owners who sold out, increased, through the rise in insurance expenses, the running costs of those who remained in the business. It combined with the great advance in actual cost of construction to leave those owners who had attempted to replace their losses dangerously over-capitalized at the end of the war.

Even with regard to shipowners' profits there was a good deal of exaggeration. The earnings of individual owners varied widely according to the character of their trade and the proportion of their tonnage suitable for the requisitioned services. Many owners of one or two ships, which escaped requisition by reason of their build or employment, reaped a harvest far above the average, and it was always the exceptional dividends that were quoted as typical in press and parliamentary discussion.

Yet there was little need to exaggerate, for the average level

of earnings during 1915 and 1916 was fantastically high. It is true that a large proportion of these earnings went into the coffers of the State ; but owing to the provisions of the Finance Act of 1915, the shipping industry obtained an accidental advantage in the assessment of Excess Profits Duty, which enabled a very substantial profit to be made before the incidence of that Duty was felt.

By the Finance Act of 1915 the owner of any business was given the option of (1) a standard of profit which should be the mean of any two selected years prior to 4th August 1914, or (2) the adoption of a percentage standard, fixed for corporations and limited companies at 6 per cent. on the capital in the business. It so happened that the three years immediately preceding the outbreak of war included a period of exceptional prosperity for the ship-owner, who was thus able, by exercising his option, to secure a comparatively high ' standard profit ' before Excess Profits Duty applied.

At a later date, Mr. Bonar Law, then Chancellor of the Exchequer, speaking on the Finance Bill of 1917, stated that ' the years which came under review in estimating the standard rate were years of excessively high profits when they amounted, I think, on the average, to about 15 per cent.' This estimate has been challenged ; but it is fairly closely confirmed by the figures in the *Fairplay* table of cargo-boat earnings, and while liner profits were probably on a lower scale during the years in question, the all-round average must have been high.

Any attempt to estimate the actual earnings of shipping during 1915-16 must, inevitably, include a large element of guess-work. The information given by the published accounts is often meagre and baffling. The accounts of the big lines were, before the war, notoriously difficult to analyse, and many of the cargo-boat companies now followed their example in lumping together the book value of the fleets and the total outside investments, and including the interest on those investments with the profit from voyages. By 1916 the amount of such investments was very large ; for owing to the impossibility of replacing lost tonnage, large sums received from insurance were temporarily invested in War Loan. Further, many companies preferred, either with a view to future stability



or from fear of the odium attaching to abnormal dividends, to capitalize a proportion of their current earnings.

All this, coupled with the fact that some companies deducted unspecified sums for depreciation and reserves before stating the 'profit from voyages', makes many of the accounts extremely unreliable. It is probable that, in many instances, the chief motive was a desire on the part of Managers to make fuller provision for the future than the shareholders might have regarded as necessary; but it is impossible to escape the conviction that many companies were afraid of letting the public know what their profits were, and aimed deliberately at concealing them.

On the other hand, any attempt to estimate earnings from a calculation of average freights is full of pitfalls. Apart from the large and continually increasing proportion of ships under full requisition, we have seen that the earnings of 'free' shipping were greatly restricted by the different schemes of direction and freight limitation, and by the requisitioning of liner space. Further, the increase in running costs, though smaller than the increase in freights, was a very important item. By the end of 1916, wages had increased, on the average, about 50 per cent., the cost of bunkers was at least twice the normal, and most other items had risen in proportion.

Particularly heavy was the cost of insurance. Marine insurance rates had risen, owing to the large number of accidents arising from war conditions of navigation, and the increased premiums had to be paid on current values often greatly in excess of the first cost of the ship. Still heavier, for 'free' vessels, was the cost of insurance against war risks.

Down to the 19th September 1916, the hull premium had been maintained at the low rate of 15s. per cent., fixed in December 1914. As the activities of the submarines increased, this premium became altogether inadequate to the risks, and by the end of May 1915 the losses had absorbed the whole of the premiums received. From this time onwards the hull side of the scheme showed a continually increasing deficit, but, so far as the State was concerned, this deficit was balanced by a surplus on the cargo side of the scheme, and the Board of Trade considered the benefit of low premiums as outweighing the advantage of placing hull insurance

on a sound actuarial basis. Among the shipowners entered in the Clubs there was some difference of opinion. They had, it must be remembered, no interest in the cargo side of the scheme, and any excess of liabilities over hull premiums must, so far as the Club's 20 per cent. interest was concerned, be made good by calls on the members. For this reason one of the big Associations proposed, when the deficit became serious, that the premiums should be raised to a rate commensurate with the risks. In opposition to this it was urged by others that, inasmuch as the calls represented only 20 per cent. of the total deficit, it was to the members' interest to keep premiums down, even if this involved liability for calls.

By September 1916, however, the hull deficit had become so alarming that the Board of Trade felt it incumbent on them to raise the voyage premium from  $\frac{3}{4}$  to 1 per cent., and the rate for a round voyage or a 91 days' time policy from  $1\frac{1}{2}$  to 2 per cent. Over the whole period, it would probably be fair to assume that the cost of insurance against war risks represented about 8 per cent. per annum on the average value of the fleets.

The net profit that remained to the shipowners after payment of all expenses, allowance for normal depreciation, and Excess Profits Duty, has been very variously estimated. It is instructive to compare a forecast, in the *Statist*,<sup>1</sup> of earnings in 1916, with an estimate subsequently prepared by Mr. Edgar Crammond.<sup>2</sup>

	Statist		Mr. Edgar Crammond
	1913	1916	1916
	£ million	£ million	£ million
Capital employed . . . . .	192	200	300
Gross earnings . . . . .	127	410	367
Expenses . . . . .	107	160	179
Net earnings . . . . .	20	250	188
Excess Profits Duty . . . . .	—	115	84
Net profit . . . . .	20	135	104
Income Tax . . . . .	—	—	24
Extra depreciation and reserves .	—	—	50
Dividend . . . . .	—	—	30
Return on capital . . . . .	10½%	67½%	10%

<sup>1</sup> *Statist*, 22 and 29 January 1916; *Fairplay*, 27 January 1916; 22 March 1917.

<sup>2</sup> 'The Effect of the War on the Economic Position of the United Kingdom', in *Journal of the Royal Society of Arts*, vol. lxxv. Figures reprinted in his *British Shipping Industry*, pp. 51-5.

On the *Statist* forecast *Fairplay* commented that the expenses were greatly understated. Mr. Crammond's figures are about 11 per cent. higher. It may be added that the increase in capital employed seems extraordinarily small, when the high cost of new shipping is taken into consideration. Mr. Crammond's figures are not, here, strictly comparable, since they include an estimate of reserves employed in the business. But what throws the gravest doubt on the *Statist* figures is that the whole receipts from Excess Profits Duty, from all industries, for the year ending 31st March 1917 were only £141,614,932, which suggests that the forecast of net earnings is very much too high. Mr. Crammond's figures are based on an elaborate and careful calculation of the earnings of requisitioned, directed, and free tonnage; and his estimate of net earnings is closely confirmed by an independent calculation made for the purposes of this book.<sup>1</sup> His deduction of 'extra depreciation and reserves' before stating the return on capital raises, of course, a separate question, the bearings of which we shall have to consider later.

The total net profits of shipping, after payment of all charges and taxation, from August 1914 to December 1916, have been estimated by Sir Leo Chiozza Money at £300,000,000.<sup>2</sup> Sir Arthur Salter, the very able Director of Requisitioning, has put the figure for the first twenty-six months of war (to 30th September 1916) at £262,000,000.<sup>3</sup>

Sir Arthur Salter's estimate carries great weight, but, with great respect, it is open to question. It appears to be based on the working of a hypothetical fleet of five tramp steamers, and to make insufficient allowance for the various restrictions on earnings other than full requisition. It is doubtful, too, whether his allowance for running expenses would be generally accepted.

Let us now see what information can be extracted from the *Fairplay* tables. The Passenger Line table gives us only dividends, not trading profits. We have therefore taken the figure of 'Profits from Voyages' given in the cargo-boat table, and deducted 5 per cent. depreciation on the book value of the fleets. (It is understood that in these tables Excess Profits Duty is generally deducted

<sup>1</sup> See p. 183, *post*.

<sup>2</sup> *English Review*, June 1919.

<sup>3</sup> *Allied Shipping Control*, pp. 114-15.

before arriving at the Profit.) From this we have worked out the figure of Profit per gross ton, and applied it to the whole of the tonnage, steam and sail, on the Register of the United Kingdom in each year. We have further assumed that, of the profits shown in the table for 1915, three-quarters was earned after the outbreak of war.

This calculation gives the following results :

Year of table	Tonnage	Profit as above	Profit per gross ton <sup>1</sup>	Tonnage on Register	Equivalent profit
1915	2,338,868	£ 3,656,666	£ s. d. 1 11 3	19,256,766	£ 29,988,697
$\frac{3}{4}$ of above		2,742,499	1 3 5		22,241,523
1916	1,952,503	9,999,240	5 2 5	19,541,368	100,068,089
1917	1,740,431	4,836,721	2 14 5	19,134,857	52,062,757
					£174,372,369

The present writer has been forced to the conclusion that it is impossible to obtain an exact arithmetical measure of shipping profits during the war. The figures above, while considerably lower than some other estimates which have been given, are based on an analysis of actual accounts, and while it is possible, though by no means certain, that the average profits of cargo companies that did not publish accounts may have exceeded those of the companies included in the *Fairplay* table, this is balanced by the fact that the calculation has been applied also to passenger liner and sailing tonnage.

In 1916 the ' Profit from Voyages ', less 5 per cent. depreciation, of the cargo-boat companies included in the *Fairplay* table gave the extraordinary return of 62.44 per cent. on the book value of the fleets, and the amounts actually distributed in dividends, or transferred to depreciation in excess of the normal 5 per cent., amounted to 34 per cent. on the paid-up capital. A few companies did actually declare dividends ranging up to 50 per cent. or over, but the majority contented themselves with a much smaller distribution. With the duration of the boom uncertain, and replace-

<sup>1</sup> At 30th June 1914, 1915, and 1916 respectively



ment costs continually rising, they wisely preferred to husband their resources, and the amounts actually carried to depreciation or reserve were more than three and a half times the sum required for writing down book values on the 5 per cent. basis. Nevertheless, the dividends distributed gave an average return of 18·5 per cent. on the paid-up capital, and out of seventy-nine companies in the list, twenty-four gave a return of 25 per cent. or over.

During 1916 profits were more and more restricted by the increase in requisitioning and in other ways, and running expenses continued to rise. Partly owing to these factors, and partly to the increase in book values, the percentage of profit in 1917, after deducting 5 per cent. depreciation, fell to 18·76 per cent. on the value of the fleets. Dividends, however, were even higher than in the previous year. Big reserves had already been accumulated, and by transferring smaller amounts to depreciation, the companies were able to pay an average return of 19·24 per cent. on the paid-up capital. Out of seventy companies in the list, no fewer than twenty eight gave a return of 25 per cent. and up.

The big passenger lines adopted, in both years, a more conservative policy. Their actual earnings were, no doubt, smaller than those of the cargo-boat companies, for the passenger trade itself had been knocked to pieces, and they profited to a less extent than free cargo-boats by the top freight rates. Their earnings must, nevertheless, have been very large; but the problem of replacement was, for them, particularly urgent, and they contented themselves with distributing dividends giving a return of 11·87 and 14·09 per cent., respectively, on the paid-up capital, placing to depreciation and reserve large sums the amount of which it is frequently impossible to ascertain from the accounts.

It is not always easy to find out what became of the reserves accumulated by both the Passenger Lines and Cargo-boat companies. On a winding-up, they were, of course, immediately available to swell the amount distributed to the shareholders, and in addition to the sums thus withdrawn from the industry, very large amounts were subsequently capitalized by the issue of bonus shares or distributed in cash by companies that remained in business. Thus, when the Nitrate Producers Steamship Company was reconstructed in 1918, every holder of a £5 share received, in

addition to a similar share in the new company, £35 in war loan.<sup>1</sup> This was an exceptionally prosperous concern that stood in a very strong position before the war, having written down its steamers almost to breaking-up value during the boom of 1912-13 and acquired new tonnage out of earnings; so that its war profits were earned on a small nominal capital, and the reconstruction represented, in part, the capitalization of pre-war profits. There were, however, many similar transactions on a smaller scale.

On the other hand, a large proportion of these reserves were, unquestionably, bona-fide provision for the replacement of war losses, and as such they were in existing conditions fully justified. Not only did the increase in replacement costs continually outstrip the increase in insurable values, but it was increasingly difficult to replace the ships lost, at any price whatsoever. The shipowners were eager enough to place new orders and to obtain delivery of vessels under construction; but delivery was very difficult to obtain. The actual supply of both labour and material had been reduced, the former by Army recruiting, the latter by loss of the castings and forgings normally imported from Germany.<sup>2</sup> Later the Ministry of Munitions became a formidable competitor for both steel and labour; indeed, the demand of the munition factories for steel was one of the most serious obstacles to increased output during 1916 and 1917. Over the whole of the labour, steel, and slips available, the Admiralty had been given an absolute priority to be exercised at their own discretion, and so great was the expansion in naval construction that comparatively few slips were left on which new merchantmen could be laid down. Delivery of ships already on the stocks, or launched, was equally held up by the refusal of the Admiralty to release steel, even for those in an advanced state of construction, and by shortage of labour. The men themselves preferred Admiralty to mercantile work, not only because it was better paid, but because they could more readily grasp its national importance.

As the rate of loss increased, and the shortage of tonnage due to the combined effect of losses and of the withdrawal of shipping

<sup>1</sup> *Fairplay*, 2 January 1919.

<sup>2</sup> The proportion of plates and sections imported from abroad was small, almost certainly under 10 per cent. Of the castings and forgings used, however, about 30 and 40 per cent. respectively were normally imported. See Cd. 9092, pp. 41-4.

from commercial employment became more serious, urgent representations were made to the Government by the Ship Licensing Committee, the Port and Transit Committee, and the Shipping Control Committee, as well as by the shipowners themselves, that some steps should be taken to facilitate an increase in mercantile output, and in particular to complete the ships already launched and plated, which amounted, in January 1916, to some 500,000 tons. The gravity of the tonnage problem was not, however, realized, and work on commercial shipbuilding was practically at a standstill except for the construction of oil-tankers and ships with refrigerated space, which received a special priority on account of the Admiralty and War Office demands for oil fuel and meat.

In addition to the lack of facilities, the financial factor was now becoming important. The cost of construction had been steadily rising, and it was impossible for the builders, without suffering very heavy loss, to complete vessels under construction at the original contract prices. On the other hand, shipowners were unwilling, now that so large a proportion of their fleets was requisitioned, to pay additional costs. It was true that the earnings of free ships yielded a high return even on the prices now demanded, but there was a strong probability that any ships delivered would be requisitioned immediately or almost immediately on delivery, and the Blue Book Rates gave but a poor return on the current cost of construction. The Shipping Control Committee accordingly suggested, in February 1916, that owners who were willing to pay 'accélération costs' to expedite delivery should be guaranteed a short period of immunity from requisition. This suggestion was adopted by the Transport Department, with the result of a considerable improvement in output during the summer of 1916.

Further, the Munitions of War Amendment Act, 1916, empowered the Board of Trade to certify specific merchant ships as 'munitions work', thus bringing the labour employed under the provisions of the Act, and guaranteeing, as was hoped, a certain priority in respect of material. On 18th February the President of the Board stated that certificates had been granted in respect of 140 vessels in an advanced state of construction, and by 10th May this number had been increased to 226. The Admiralty, however,



in allocating supplies of steel to shipbuilding firms, insisted that, until their own requirements had been met in full, no material should be used for the construction even of certified merchant ships, and progress was very slow. The construction of non-certified vessels was altogether suspended.

The actual cost of new construction had increased from about £12 to £15 per ton gross for cargo liners and £7 per ton dead-weight for tramps, before the war, to £22 8s. and £15 4s. respectively in the second half of 1916 ; but owing to the decline in shipbuilding output, it was largely to the second-hand market that an owner with commitments to fulfil had to look for replacement of his tonnage losses, and all through 1916 the price of second-hand shipping rose steadily. By December the *Fairplay* index figure for a new, ready, 7,500-tonner had risen to £25 per dead-weight ton, nearly four times the figure for December 1913, and four and a half times that for June 1914. The appreciation in the value of old, second-hand steamers was smaller ; but it has been calculated, from the actual sales recorded in the shipping journals, that the average current market value of second-hand liner tonnage during the second half of 1916 was about £30 per ton gross and of tramps about £22 12s per ton dead-weight, as compared with £15 and £7 6s. respectively during the first six months of the war.

The average insurable value of the vessels under the State Insurance Scheme was now something less than one-half the market values. It was open to owners to insure this difference, within certain limits, with the Excess Values Associations ; but even this necessitated the appropriation of large sums to reserve, in order to provide against the contingent liability for calls. Further, there was no indication of a break either in the rise of values or in the increase of building costs.

There can thus be no question that any shipping company with an eye to the future was bound to make large appropriations to reserve out of its surplus earnings. It was not only that it was necessary to provide for the abnormal cost of replacement. Any ships built or acquired at war prices would necessarily stand in the books at a figure far exceeding their value under normal conditions, and common prudence dictated that they should be written down by something more than 5 per cent. per annum, with a view to



reducing the book values to a figure corresponding with the probabilities of the peace market.

The inflation of values was, in truth, a curse rather than a blessing to the shipowner who wished to remain in business. Sir Arthur Salter and Sir Leo Chiozza Money have both calculated the appreciation in shipping values to the end of 1916 at about £300,000,000, and their estimate is closely confirmed by the figures above given, which show an average increase in market value round about 100 per cent. To the owner who wished to sell his ship or ships this was a golden opportunity. To the owner who wished to retain and run them it was a disaster. The inflation in values in no way increased the earning power of the vessel. On the contrary, it increased very seriously the cost of marine and war risk insurance and the contribution made by the shipowner to average in the event of loss or damage.

It was the owners who sold their ships who made fortunes out of the appreciation in values, and it was the fortunes so made that were the target of some of the sharpest criticisms passed on the industry and the conduct of the Government in relation thereto. To judge fairly the justice of these criticisms it is necessary to examine the circumstances of the sales.

In the first place, the boom in freights attracted into the industry, as has already been pointed out, a large number of outside investors who had little or no experience of the business, and, dazzled by the vision of immediate profits, were prepared to offer extravagant prices for tonnage, without regard to the likelihood of a *post-bellum* slump. During the single year 1915 the record number of 94 new shipping companies were formed, with an aggregate capital of £2,645,350, and many of these were of a speculative character.

In the second place, there was a strong demand from established owners, and more particularly from the big liner companies, and this demand was productive not only of many transactions relating to individual ships, but of a number of important mergers and amalgamations. It has already been remarked that there was a strong tendency before the war to bring a number of lines 'under one umbrella', either by absorption or by linking of interests. This tendency the war greatly accentuated. Not only were the

big owners ready to employ a portion of their current earnings in extending their influence—they were often forced into the market by actual necessity. For the great lines it was a vital matter to maintain, so far as possible, the regularity of their more important services. To some extent they could replace vessels lost or requisitioned by chartering or purchasing tramp tonnage; but they naturally preferred, when possible, to acquire vessels of the type normally employed in their services. The merger of two lines with depleted fleets enabled the remaining vessels to be used to the best advantage.

During 1915 the number of big deals was not very large. Many individual ships and small fleets changed hands, sometimes at very high prices. Thus the Cuban Steamship Company sold for £325,000 three steamers which had cost £189,954 to build, and stood in the company's books at £96,250. It was not until 1916, however, that the big mergers and absorptions became numerous. During that year the Cunard Company acquired the assets and goodwill of the Commonwealth Dominion Line, apparently paying £4,961,013 in shares for £1,991,544 of original capital. They absorbed also the Donaldson Line and purchased the ships of the Canadian Northern Steamships to help make good their war losses. The P. & O. Company, who had become the biggest of British shipowners in 1914, by their merger with the British India Company, now acquired, by an exchange of shares, the ordinary share capital of the New Zealand Shipping Company. Messrs. Furness, Withy & Co. purchased the managerial rights and the majority of the ordinary shares in the Prince Line, and were reported to pay £10 for each £1 share. Sir John Ellermann added the Wilson Line to his extensive interests.

Among the cargo-boat companies, too, there were several important mergers, representing either the need to replace lost tonnage or the desire of enterprising owners to expand their fleets. The largest of these transactions was the purchase of the Northern Steamship Company by Messrs. Pyman Watson & Co. for £2,000,000. One of the most striking was the acquisition of the Palace Shipping Company by the Mitre Shipping Company, at the price of £456,048 for £50,672 of nominal capital.<sup>1</sup> In other

<sup>1</sup> The nominal capital of a shipping company is, of course, a very inadequate guide to its actual importance, the fleets having been built largely out of short-term loans, subsequently repaid out of earnings.

instances only the management shares were sold, and in addition to the companies that disposed of their fleets or business *en bloc*, there were many which went into liquidation after selling their vessels separately.

There were, in truth, many owners as ready to sell, at the high prices now ruling, as others were to buy. The uncertain duration of the boom, the large proportion of profits absorbed by taxation, and the prospect of more extended requisitioning, all combined to suggest the attractiveness of a less speculative investment. An owner who sold for £300,000 a fleet that had cost him £100,000 could obtain from investment in War Loan an income equal to 15 per cent. on his original outlay, free both from Excess Profits Duty and from the fluctuations of the industry.

No part of the Government's shipping policy has been more sharply criticized than the exemption from taxation of these huge profits. It certainly appeared inequitable that an owner who relieved himself from all obligations by the sale of his fleet should be permitted to reap the full benefits of capital appreciation, while those who continued to discharge their normal functions were subject to special war taxation. On the other hand, it would have been a very undesirable precedent to single out the shipping industry for discriminatory taxation, while those engaged in other industries were left free to reap the full benefit of any increase in the value of their assets.

The Finance Act of 1916 did, however, contain one clause dealing with the effect of these transactions. It was evident that, by availing themselves of the percentage option in respect of a second-hand vessel purchased at an inflated price, the buyers could escape the payment of Excess Profits Duty on earnings considerably above those of the standard years. To prevent the loss thus arising to the Exchequer, Section 47 of the Act empowered the Inland Revenue Authorities to compel the purchaser to accept the vendor's *datum line* as the basis of his assessment.

With regard to the ethics of the transactions themselves, it is impossible to generalize. It was frequently urged, not only by outside critics but in the shipping press, that for a shipowner to sell his fleet and retire from business during the progress of the war was reprehensible and unpatriotic. It might be urged in

reply that the ships remained in service and were as useful to the country as before the sale. With regard to many of the most important transfers this argument is valid. It will not, however, apply to those who sold their ships to outside speculators and thus deprived the country of the benefit of their own skill and experience. It is impossible to acquit some owners and managers of a failure to respond to the moral obligations imposed on them. On the other hand a large proportion of the transfers were bona-fide transactions, arising from a genuine demand, and involving no stigma either on buyer or seller.



## CHAPTER XII

### THE INTRODUCTION OF CENTRALIZED CONTROL

THE enormous profits made by free shipping in 1916, the big dividends distributed by shipping companies, and the speculation in shipping shares intensified the demand for a more direct and drastic control of the industry, and, in particular, for effective limitation of freights and earnings. There was as yet little general realization of the real gravity of the tonnage position. The course of freights and the accounts of shipping companies could be scrutinized in the columns of the press; the menace to supplies arising from the combined effect of war losses, declining output, delays, deviation, and port congestion was known only to those who were actually at grips with the problem.

The achievements of the Mercantile Marine were, perhaps, taken too much for granted. They were, in fact, remarkable. Despite the persistent and ruthless attack to which the ships were exposed, despite the difficulties caused by the redistribution of trade, and the continual dislocation arising from emergency demands, the Navy had been supported in its gigantic and world-wide task; the armies in France, Salonika, Egypt, Mesopotamia, and Africa had been maintained and supplied; millions of tons of food, fuel, and munitions had been poured into the Allied ports, and every essential requirement of the civilian population in the United Kingdom had been satisfied. An accurate appreciation of what this involved in the adjustment of services to new channels of trade, the ready response to emergency demands, the effort necessary to get out of the ships the last ton of carrying-power, would hardly have permitted the assertion of one critic that the shipowners, who were 'squeezing out of the British people and the inhabitants of the Allied countries the utmost penny which can be obtained under the law of supply and demand', contributed 'neither by foresight, enterprise, or acumen' to the harvest they enjoyed.<sup>1</sup>

<sup>1</sup> Nauticus, 'The Shipping Scandal', in *Fortnightly Review*, March 1916.

The criticism of shipowners as a class was unjust because it failed to discriminate between the activities of speculators and the successful discharge of functions essential to the national life, between remediable evils and the inevitable consequences of a great economic convulsion; nor was it realized to how great an extent the continuous rise in freights was due to the neglect, or the dilatory adoption, of remedies strenuously urged by the shipowners themselves. Looking to the waste of requisitioned tonnage in the earlier stages of the war, the delay in dealing with port congestion and in providing adequate defensive armament, the restrictions imposed on mercantile shipbuilding, and the persistent refusal of the Government to restrict non-essential imports, it is hardly surprising that some shipowners should have become impatient both of criticism and of State Control.

Yet if the labourer, in the main, was worthy of his hire, the hire had become excessive. Whether the abnormal freights of 1916 were 'squeezed out' of the British and Allied peoples by the rapacity of the shipowners, or, as they themselves averred, were forced upon them by the competitive offers of shippers, they represented an absurdly high return on the capital embarked in the industry, and had led to conditions that were thoroughly demoralizing. It was bad economically, it was still worse from the social and political standpoint, that any section of the community should reap so rich a harvest from the common peril; and while the industry as a whole had fulfilled admirably its functions of transport and supply, it was perfectly true that a large part of the resultant profits went to those who had contributed least towards that end—outside speculators, owners who resorted to questionable means of evading requisition, and those who took advantage of the boom to sell their fleets and retire from the business.

The real significance of abnormal freights lay, however, in their revelation of the discrepancy between the demand for tonnage and the supply. We have seen that, during 1916, some efforts were made to deal with this major problem as well as to check, by direct action, the upward curve of freights. We have seen, too, that these efforts did produce, during the summer of that year, a slight improvement in the tonnage position. No such improvement, however, could be permanent, so long as the rate of loss continued

to be far greater than the rate of replacement. Nothing could effect a radical change in the situation save such measures as should bring up the supply of tonnage to the level of the demand, or adjust the demand to the level of the supply. Again and again the Shipping Control Committee, the Ship Licensing Committee, and the Port and Transit Executive Committee urged that steps should be taken to accelerate merchant shipbuilding and to restrict non-essential imports. The demands of the Admiralty and Ministry of Munitions on labour and steel continued to stand in the way of increased output; the opposition of the Board of Trade blocked the adoption of adequate import restrictions. It is true that, by Order in Council of 15th February 1916, the import of paper and paper-making materials and certain other articles was prohibited except under license;<sup>1</sup> but licences were so freely granted that the saving amounted to only about 1,500,000 tons a year, instead of 4,000,000 tons as originally estimated.

The decrease in tension which marked the summer months did not last for long. During the last three months of 1916 the strain on tonnage was very seriously increased, while the supply was still further diminished through an intensification of the submarine campaign.

The restrictions placed on submarine activity had now begun to wear thin. The extreme militarists in Germany were gaining ground, and though some deference was still paid to American opinion, the German Government claimed that defensively armed ships lost their commercial status and might be sunk without warning in any area; moreover they were now prepared to take much greater risks in their treatment of neutral—other than American—shipping. From September onwards neutral shipping was attacked with a ruthlessness and persistence that not only inflicted heavy losses but, as we have seen, drove many neutral vessels out of British and Allied trade. French and Italian shipping also suffered heavily, and there was an ominous rise in the curve of British losses.

At the same time, the authorities responsible for supply and transport were gravely perturbed by very pessimistic reports as to the North American harvest, which appeared to imply the

<sup>1</sup> *London Gazette*, 15 February 1916.

necessity of bringing from Australia a large proportion of the grain required during the cereal year 1916-17. This, in itself, represented a problem of the first magnitude, for owing to the length of the voyage, it was estimated to involve the employment of 200 more steamers than had sufficed to lift the wheat imports of 1915-16.

The effect of this crisis on the development of State Control over supply and transport was extremely important. It was calculated that, owing to the partial failure of the American harvest, the world's visible supply of wheat was likely to fall seriously short of the requirements of the importing countries, with the inevitable result of driving up prices in every producing centre in a position to effect shipments. Further, there were some apprehensions that importers might hesitate to buy largely in so distant a market as the Australian, fearing a fall in prices before the shipments arrived. On both these grounds, the Carriage of Foodstuffs Committee suggested that the Government should effect large purchases in Australia and Argentina, *before* directing tonnage to those countries. Meanwhile, the Commonwealth Government, who had undertaken to dispose, for producers' account, of the whole Australian surplus, and had made large advances to the farmers, were pressing the British Government to buy direct the whole unsold balance of the wheat.

Experience had already shown, however, that State purchase of commercial imports was of very doubtful utility when extended only to a portion of the import, and the Government's final decision went far beyond either of these proposals. Partly in the hope of preventing, by centralized purchase, an excessive rise in prices, partly for the purpose of using the credit of the State to assure adequate supplies, whatever were the conditions of the market, and partly in order to obtain complete control of the shipping arrangements,<sup>1</sup> they resolved to take the entire import of wheat into their own hands, and on 11th October the Royal Commission on Wheat Supplies was created, and given a monopoly of the import of wheat and flour, which was extended, in practice, to all cereals. Under the supervision of the Wheat Executive, an

<sup>1</sup> It was a term of the contract for Australian wheat that the Commonwealth Government should discontinue chartering, leaving all shipping arrangements to the British authorities.



inter-Allied body set up in the following month, the Commission purchased also the entire oversea requirements of France and Italy.

This decision led, at once, to a revival of the proposal for fixing wheat freights which had been rejected in 1915. The decisive objections to that proposal had been that it was impossible to guarantee any saving on private imports being passed on to the consumer, that to fix freights on Government cargoes only would render private importation impossible, and that unless the Government were prepared to fix definitely the total amount to be imported and tell off ships to lift it, it was essential that importers should be able to make known, through a free freight market, the extent of their requirements. Now that the Wheat Commission had become the sole importer, these objections no longer applied. Moreover, the importance of the freight factor had considerably increased. Owing to the world shortage, the Wheat Commission would appear as forced buyers of practically all the wheat on offer, and the position of producers and shippers would be too strong for any part of the cost of transport to be laid on their shoulders. The probability was that the high freights on the long Australian route would be reflected, to some extent, in the f. o. b. prices for American wheat.

The Government's original intention was to obtain the necessary tonnage through the Carriage of Foodstuffs Committee—that is by direction instead of by requisition—and that the freights should be fixed a little higher than Blue Book Rates, as an inducement to the owners to run the vessels themselves, instead of leaving them on the hands of the Transport Department. To fix appropriate rates for all ports was, however, a very complicated business, and after investigation by the Board of Trade and the Shipping Control Committee, it was decided to requisition the necessary tramps at Blue Book Rates and require the liners to carry at rates calculated on that basis. The Carriage of Foodstuffs Committee was, accordingly, dissolved, and a Wheat Section added to the Commercial Branch of the Transport Department, with instructions to supply the requisite tonnage both for British and Allied purchases, so far as they could not be lifted by Allied shipping or by chartered neutrals.

On North Atlantic grain, the new rates worked out at 8s. per quarter, as against 9s. 4d. in September and 11s. 4d. in August. Hardly had the new section got to work, however, than it was discovered that there was likely to be a serious shortage of wheat in the early months of 1917, before the big Australian shipments could arrive. To meet this danger it was necessary to make large purchases in North America for December and January shipment, and allocate tonnage to lift them. The pressure of this demand, coupled with constriction of supplies, had the natural effect of a rise in f. o. b. prices, and despite the reduction in freights, the price of the quartern loaf went up, from 8½d. in August and 9d. in September, to 10d. in December, as the result of a steady increase in the import values of the wheat.

Meanwhile the submarines were working havoc on an unprecedented scale. During the first nine months of 1916, the losses of British shipping through enemy action averaged 80,000 tons a month, the total losses of British, Allied, and neutral shipping averaged 145,000 tons. For the last three months of 1916, British losses rose to 175,000 tons and world losses to 340,000 tons monthly. By the end of the year, the available ocean-going tonnage under the British flag had been reduced to 16,760,000 tons gross, as against 17,500,000 at the outbreak of war, and neither bunker pressure nor the offer of special insurance facilities availed wholly to check the exodus of neutral shipping.

A further result of this intensified submarine activity was an increase in the number of ships on naval service, due to the demands of the anti-submarine campaign. At the same time an increase in the number on military service was threatened by the requirements of the Salonika Expedition. Tonnage in the service of the Allies had been considerably reduced, owing to the completion of the White Sea Programme, and in November, negotiations were opened with the French Government, which culminated, on 3rd December, in the conclusion of an agreement that relieved the Transport Department of some of their anxieties. Those anxieties, however, were heavy enough. The requirements of the Ministry of Munitions and of the White Sea Programme were expected to be much larger in 1917 than in the previous year, the withdrawal of neutral shipping had brought about a permanent

crisis in the Italian coal supply, and the Australian Wheat Programme cast a black shadow over every forecast.

Already the pool of ocean-going free tramps, exclusive of those permanently abroad or allocated to the service of the Allies, had been reduced to 213 in October and 170 in December, and some, even of these, were earmarked for the Dominion Governments. Of the liners, not more than one-third were on full requisition ; but the requisition of liner tonnage for general purposes presented many difficulties.

So early as 24th October, the President of the Board of Trade had called the attention of the Government to the situation created by the Australian Wheat Programme, and in a subsequent memorandum of 9th November he still further emphasized its gravity. To meet the crisis, he proposed that the employment of shipping in the service of the Navy, War Office, and Allies should again be scrutinized with a view to releasing superfluous vessels, that an endeavour should be made to procure further neutral tonnage, that the supply of steel for merchant shipbuilding should be increased, and that the Transport Workers Battalions should be raised to a total strength of 10,000 men, with the object of still further reducing port delays.

This increase in the Transport Workers Battalions was definitely sanctioned on 23rd November—a decision which was to have very important results during the later stages of the war. For the rest, the prospects were discouraging. By various means, and more especially by a reorganization of cross-Channel transport, considerable economies were effected during the autumn and winter of 1916–17 in the employment of ships on naval and military service ; but their effect was offset by the continual increase in the volume of traffic to be handled. Neutral shipowners tended, more and more, to withdraw their vessels from British and Allied trade. As to shipbuilding in the United Kingdom, efforts were made with partial success, during the autumn of 1916, to obtain the release of a number of skilled workers from the Army ; but the competing demands of the Admiralty and Ministry of Munitions continued to restrict the allocation of steel. The output for the December quarter showed a very decided improvement on the earlier months of the year ; but the difficulties presented by the



conflicting claims on labour and material were so great that the Government were driven, in despair, to consider the revolutionary step of assuming direct responsibility for mercantile construction.

The inevitable result of this deterioration in the tonnage position was to send up freights on the open market to still greater heights. At the same time, the cost of living index number, which had remained fairly constant throughout the summer, rose very sharply. This led, naturally, to a further intensification of the demand for more rigorous State control of shipping ; but so far as this demand was based on a desire for freight limitation, it was now somewhat wide of the mark. We have seen that freights were always a less important factor in the cost of living than was generally supposed, and their part in producing this new advance must have been extremely small. Market quotations had ceased to afford any real criterion of the general cost of transport. Only a very small proportion of the tramps engaged in the trade of the United Kingdom were now free to avail themselves of competitive offers ; the North Atlantic lines were bringing 33 per cent. wheat and 33 per cent. munitions at approximately Blue Book Rates, and a large proportion of the space in other liners had been taken on similar terms. All wheat, meat, sugar, munitions, wool, and pyrites, nearly all imports of nitrate, and a large proportion of the imports of flax and other commodities were carried at Blue Book Rates ; an increasing proportion of the ore supply was lifted in requisitioned tonnage, and the remainder was carried, like the bulk of the coal exports, at artificially restricted freights. The Limitation Freights and even the Blue Book Rates represented, no doubt, a big advance on the low freight quotations of July 1914, but the large proportion of British trade now carried on these terms was at least withdrawn from the operation of the influences which were responsible for the rise in market quotations during the last three months of 1916.

It is doubtful whether there was any widespread realization of these facts, but the desire for restriction of shipowners' profits was not based solely on an exaggerated idea of the effect of freights on prices ; it was bound up, as we have seen, with the growth of a desire to curb war profits, wherever possible, on grounds of ethics and political expediency. Moreover, the plea for a more rigorous



State control was now being urged for reasons which had no direct connexion with shipping finance.

In the first place, it was urged that administrative efficiency demanded some closer co-ordination of the various authorities, many of them specially created, which already exercised control over shipping. The Admiralty Transport Department, assisted by their Advisory Committee, were responsible for providing not only ships for Naval and Military service, but tonnage or space for the Wheat Executive, and for the carriage of a large proportion of British and Allied imports; but though their representations carried great weight, they had no definite power to criticize or refuse the demands of any of the Departments, or to limit the allocation of tonnage. The Board of Trade were responsible for the employment of all insulated space in liners, with a modified right of diverting the ships themselves. The Ship Licensing Committee controlled, on the instructions of the Board of Trade and on very broad lines, the employment of all ships not on full requisition. The Central Executive Committee and Local Committees set up by the Board of Trade under the Coal Freights Limitation Scheme controlled, in conjunction with the Ship Licensing Committee, the running of all British ships in the French and Italian coal trade. The Official Ore Broker chartered, for the Ministry of Munitions, British and Neutral tonnage to lift ore from Spain and the Mediterranean. The Port and Transit Executive Committee, appointed at the joint instance of the Board of Trade, Admiralty, and War Office, was responsible for all measures necessary to improve the turn-round of shipping at all ports. The whole shipbuilding resources of the country were subject to an absolute Admiralty priority. The Board of Trade issued, under the Munitions of War Acts, certificates for such ships as they desired to see completed, but had no power to obtain the necessary allocation of labour and material for their completion. Over the whole field, the Shipping Control Committee exercised a general supervision, but possessed neither an administrative staff nor direct executive powers, though they were generally able to obtain Cabinet backing for their more important decisions.

The Transport Department had always desired that the Shipping Control Committee should provide itself with a statistical

and administrative staff, and should take upon itself a detailed executive control of shipping ; but the Committee were of opinion that they could do better work by confining their attention mainly to questions of principle, and acting through the existing executive organizations in matters of detail. There were many, however, who now considered that the somewhat scattered machinery of control needed tightening up and co-ordinating in a way for which the original constitution of the Shipping Control Committee made no adequate provision, and even among the shipowners there were some who felt that the dictation of a single centralized authority would be preferable to the divided control in force.

Further, those entrusted with the work had begun to contemplate the necessity of a more minute and direct control of the shipping in ordinary commercial employment than was provided by the licensing system. That system, especially when exercised by general licences, as in the liner trades, left a large degree of discretion to the shipowners, and provided for very little interference with the individual voyages. One of the criticisms most frequently made against the shipowners was that the liner companies were inclined to adopt the principle of 'business as usual', and were averse to modifying their ordinary services to meet the requirements of the war. Their desire to maintain their trade connexions led, it was alleged, to the retention of a larger number of ships in the services than were required to lift the cargoes on offer, and to their chartering, to take the place of requisitioned ships, tramps that might more usefully have been left to swell the general pool of tonnage.<sup>1</sup>

There was probably some truth in this criticism. Its importance may easily be exaggerated, for the heaviest chartering was in the North Atlantic trade, where it was essential for the lines to maintain their tonnage at the highest possible level in order to cope with the demand for wheat and munitions ; but the desire of the liner companies generally to maintain their trade connexions, built up at heavy expense, would naturally lead them to run their services so far as possible on normal lines, and to call at the accustomed ports, even when the volume of cargo from those ports

<sup>1</sup> See e. g. Cuthbert Maughan, 'The Shipping Problem', in *Quarterly Review*, No. 447, April 1916, at p. 476.

had decreased. This was particularly the case where they were subject to foreign competition, and at a later period of the war, when the sailings of the liner fleets had been brought under State control, there were bitter complaints of the freedom allowed to liners under Allied flags to call at intermediate ports at which the British lines had been forbidden to touch.

It was unquestionably desirable, in the national interest as well as in that of individual owners, that the trade connexions of British shipping should, so far as possible, be preserved, and had it been possible to maintain the output of merchant shipbuilding, or to keep down the rate of loss by more efficient protection, no valid reason could have been given for interfering with the services. Now, however, a situation was fast developing in which every other consideration must be subordinated to the one paramount necessity of bringing in the essential minimum of supplies necessary to maintain the war, and this, it was argued, entailed a sacrifice of commercial interests which could not be attained except by the issue of specific detailed instructions with regard to the running of the ships.

Further, it was evident that, in view of the fast approaching disappearance of the small pool of free tramp tonnage, the Transport Department would be obliged to draw heavily on the liner fleets for the fulfilment of their obligations to the Naval and Military Authorities, the Allies, and the importing Departments. For reasons which will be examined in a later chapter, it was difficult to carry much further, in its application to the liner trades, the ordinary principle of full requisition of individual ships, and the conclusion was gaining ground that the liner trades must be dealt with as a whole.

Finally, the question of the allocation of tonnage as between the Army, Navy, Allies, and import services had become a matter of paramount importance. In view of the grave shortage of carrying-power it was no longer possible to give an absolute priority to Naval and Military requirements, and it was essential that there should be some central authority armed with sufficient knowledge and sufficient power to decide, with greater precision than had yet been possible, the employment of requisitioned tonnage. Further, a large proportion of the commercial imports were now on Govern-



ment account, and the decision as to what cargoes were to be carried had been transferred, to this extent, from a free commodity market and a free freight market to the representatives of the importing Departments. That decision, moreover, was no longer arrived at purely on economic grounds, but was influenced by political motives and by military necessities.

For these reasons many, even of those who were most strongly opposed to State Control of economic operations, were of opinion that the time had now come when a more centralized and more scientific control of supplies and shipping was needed to replace the commercial machinery, which had already been so far dislocated that it could no longer function effectively. This was the view of the Transport Advisory Committee, who urged, during November, that the Shipping Control Committee, or some other authority, should be invested with full executive powers to decide between the competing demands for tonnage, and to transfer any ship, at any time, from the service in which it was running, to any other employment.

The attitude of the shipowners varied. Those who objected to control simply on grounds of its interference with their personal interests formed a minority, and a dwindling minority, for many of them had already sold out or seen the whole of their ships requisitioned. A large proportion of the owners seem to have accepted the extension of control somewhat fatalistically as an inevitable outcome of war conditions. There were certainly many who were not sorry that a limitation should be placed on profits, of which, while denying responsibility for the advancing freights, they were, perhaps illogically, ashamed. Among those who were at once sufficiently disinterested to put national before personal interests and qualified by knowledge and ability to form a positive opinion as to national requirements, there was a wide divergence of opinion.

Most of them agreed in believing that shipping under Government Control was likely to be run less economically and less efficiently than before, as regards the details of stowage and turn-round; but some leading owners, particularly among those already associated with the controlling authorities, held that, whatever the disadvantages of State Control, they were more than counterbalanced by its advantages in securing a more rapid



adjustment to the abnormal demands and conditions arising from the war.

Others, speaking with equal authority, took a different view, presented with great force in the reports of the Liverpool Steam Ship Owners' Association. They held that the experience of the war proved Government Control of shipping to be inevitably wasteful, and that a further extension of that control might jeopardize receipt of the essential minimum of supplies. In their view, a free freight market was essential to the full utilization of carrying-power, and they desired to see the control of ships and of commodities relaxed rather than extended. They argued that the limitation of shipowners' profits and the provision of tonnage for essential services were two distinct problems, and should be separately dealt with: the former by direct taxation, and the latter by efforts to accelerate shipbuilding, to improve still further the turn-round at the ports, and to restrict the imports of non-essential commodities, with a view to restoring the equilibrium between demand and supply—thus ensuring a sufficiency of space for the carriage of essentials, and, in the long run, forcing down freights as well. Finally, they were very apprehensive as to the effect of freight limitation on the volume of neutral shipping in British trade.

This last argument, though valid in the conditions of 1915-16, had lost much of its force now that so large a proportion of imports were on Government account. So long as goods were privately imported, the fixing of freights on British ships would, unquestionably, tend to discourage the chartering of neutrals, but when the Government had acquired a monopoly of imports they were free to pay full market rates to neutral vessels, while continuing to pay British ships the bare Blue Book hire. The wisdom of direct attempts to limit neutral freights is another question.

No definite decision on the question of centralized control had been reached when, on 4th December, Mr. Asquith tendered his resignation, and was succeeded, on 7th December, by Mr. Lloyd George. The new Government, from the first, based their claims to support on a promise of greater energy and efficiency in the administrative direction of the war, and on their determination to check, by drastic action against 'profiteering', the rise in food

prices. Among their earliest measures was the New Ministers and Secretaries Act,<sup>1</sup> which received the Royal assent on 22nd December, and created, among other new Departments, a Ministry of Shipping. In speaking on this Bill, Mr. Lloyd George informed the House of Commons, on 19th December, that 'the Government felt the time had come for taking over more complete control of all the ships of this country and placing them in practically the same position as are the railways at the present moment, so that during the war shipping will be nationalized in the real sense of the term'.<sup>2</sup> He added that Sir Joseph Maclay, a partner in the Glasgow shipping firm of Maclay & McIntyre, had already accepted the office of Shipping Controller.

<sup>1</sup> 6 & 7 George V, c. 68.

<sup>2</sup> *The Times*, 20 December 1916.

## CHAPTER XIII

### THE SHIPPING CONTROLLER AND HIS POWERS

THE appointment of a shipowner as Shipping Controller might appear to cynics either a surrender to vested interests or a following of the old adage 'set a thief to catch a thief'. It was, in fact, a wise and statesmanlike measure. The Ministry of Shipping stood on a very different footing to the authorities by whom the control of shipping had hitherto been carried on. It was a self-contained Department of State, endowed by Statute with almost unlimited powers over the whole shipping of the country, and it was extremely desirable that the Controller in whom executive authority was vested should possess an intimate knowledge of the industry he was to control. It was equally important that he should possess the confidence of the industry itself.

It must be remembered that, not only was the creation of the Ministry of Shipping based, avowedly, on a desire to render the control of shipping more complete and drastic, but it was, in part at least, a response to the pressure of those who regarded shipowners, as a class, with suspicion and hostility. On the other hand, the work of the Ministry could be carried on successfully only if it commanded, not merely the passive assent, but the active and energetic co-operation of the great majority of shipowners. It was not enough that the Controller should be in a position to coerce those who put profits before patriotism; it was necessary that he should be able to command the support of those who, apart from all personal considerations, distrusted the extension of direct State control, as likely to reduce the efficiency of the services and to imperil the flow of essential supplies.

It may fairly be said that Sir Joseph Maclay was successful in winning the confidence both of the shipowners and of the public. As a guarantee of personal disinterestedness he gave instructions at once that the entire fleet of Messrs. Maclay & McIntyre should be

requisitioned, and throughout his career as Controller it was impossible for any impartial critic to accuse him of allowing his judgement of national requirements to be clouded by undue tenderness for the interests or the prejudices of his fellow ship-owners. On the other hand, owners with a genuine grievance to be ventilated, or with constructive criticism to offer, knew that their representations would be carefully and sympathetically considered by one who had wide and practical experience of shipping problems. There were those who thought that under the new régime State Control went too far; there were those who did not think it went far enough, and both schools of thought were represented in the Ministry itself; but there were very few, on either side, who questioned the absolute impartiality of the Controller's decisions, and even those who questioned their wisdom, for the most part co-operated loyally in the endeavour to carry them out efficiently.

This was the more important because the appointment of the Controller was far from putting an end to controversy as to the extent and character of control. The New Ministers and Secretaries Act defined his functions as follows :

‘ It shall be the duty of the Shipping Controller to control and regulate any shipping available for the needs of the country in such manner as to make the best use thereof, having regard to the circumstances of the time, and to take such steps as he thinks best for providing and maintaining an efficient supply of shipping, and for these purposes he shall have such powers or duties of any Government department or authority, whether conferred by statute or otherwise, as His Majesty may by Order in Council transfer to him, or authorize him to exercise or perform concurrently with or in consultation with the Government department or authority concerned, and also such further powers as may be conferred on him by Regulations under the Defence of the Realm Consolidation Act, 1914, and Regulations may be made under that Act accordingly.’

This was comprehensive enough; but it was somewhat vague, and left the details of the Controller's powers to be defined by subsequent Regulations. It was some time, however, before any attempt was made to define his authority with greater precision. The truth is that the Government themselves had no very clear idea of what was meant by their promise that ‘ during the war shipping will be nationalized in the real sense of the term ’.



In urging the creation of a central executive authority for the control of shipping, the Transport Advisory Committee were thinking mainly of the threat to supplies and essential war services arising from the shortage of carrying-power. In his speech on the New Ministers and Secretaries Bill, however, the Prime Minister had represented the appointment of the Shipping Controller as dictated mainly by a desire to restrict freights and profits. 'The prodigious profits which were made out of freights were contributing in no small measure to the high cost of commodities and I always found that they were making it difficult for us in our task with labour. Whenever I met organized labour, under any conditions, I always had hurled at me phrases about the undue and extravagant profits of shipping.'

The influence of freights on commodity prices, and more particularly on food prices, had always been exaggerated, and, at the time this speech was made, a very large proportion of British imports, more particularly food imports, were in fact being carried at Blue Book Rates; but the objection to excessive profits did not, as we have seen, rest solely on this ground. Indeed, the chief difference of opinion among the leading shipowners themselves was as to whether such profits could be dealt with most effectively by direct action or by an attempt to restore the equilibrium between demand and supply. Direct restriction of profits had already been carried to great lengths, both by freight limitation and by imposition of the Excess Profits Duty; but it was the public demand for more drastic, or even punitive restriction, that weighed most in deciding the policy of the new Government.

There was, indeed, one section of opinion that urged the out-and-out, permanent nationalization of the entire Mercantile Marine. So early as July 1916, a deputation from the Parliamentary Committee of the Trades Union Congress had demanded from Mr. Asquith, then Prime Minister, the state ownership and control of all merchant shipping,<sup>1</sup> and the attitude of the Labour Party to the proposal received added significance from their inclusion in the new Coalition. There was, of course, no chance that a Coalition Government would commit itself to the nationalization of shipping

<sup>1</sup> *The Times*, 20 July 1916.

as a first step in a general policy of industrial nationalization ; but there were those who hoped to secure its adoption as the most effective means of obtaining complete control of shipping during the war and the transition period, as a measure of national defence and an instrument of Imperial development, and as an investment likely to prove a large and permanent source of revenue. Among those who took this line was Sir Leo Chiozza Money, M.P., who had been appointed Parliamentary Secretary to the Shipping Controller, with the object of relieving Sir Joseph Maclay from attendance in Parliament and thus setting free his whole time and energy for administrative work.<sup>1</sup>

This proposal the Government rejected. Indeed, whatever view be taken of nationalization as an industrial policy, it is difficult to see how it could equitably be applied to a single industry as a war emergency measure, in circumstances which would render it impossible to obtain a mandate from the country. Further, the task was obviously one of immense difficulty. It involved creating, in circumstances of extreme stress, a vast system of administration which would have to rely, for efficient management of the ships during the war, on the co-operation of the expropriated shipowners.

Other less drastic proposals were that, for the duration of the war, all ships should be run on Government account, the owners receiving either a flat rate of remuneration or a guarantee of average peace profits, with or without a commission on any additional earnings. The Controller himself was opposed on the score of efficiency to any absolute and uniform limitation of profits, and on 12th February 1917, as the simplest way of giving effect both to the demands for fuller control of earnings and the demands for fuller control of employment, the Government instructed him 'that the Shipping Control Committee should extend the requisitioning of tonnage at Blue Book Rates so as to make it general and as nearly as possible universal, and that the cases to which requisitioning did not apply were to be justified only by exceptional circumstances'.

To what extent, and in what manner this decision was carried

<sup>1</sup> Sir Chiozza Money made the proposal in a Memorandum dated 26 January 1917. See his article, 'The Nationalization of Shipping', in the *English Review*, June 1919, vol. xxviii, pp. 502-11.

out, we shall see later. Meanwhile, it must be remembered that the Controller was made responsible for the supply of shipping as well as for regulating its employment. The new Government had decided to adopt the policy under consideration by their predecessors, and to undertake direct responsibility for new construction. Indeed, they went a good deal farther than the original proposal, for they decided not only to embark on an extensive programme of State shipbuilding but to purchase all ready tonnage that could be procured abroad, to place large orders with foreign shipbuilders, and to run the ships, when built or acquired, on Government account. Both shipbuilding and ship purchase were placed under the authority of the Controller, and a clear field was provided for his efforts by prohibiting the laying down of any new vessel or the purchase of any vessel from abroad on private account.

This was a new and somewhat startling departure in the relations between the State and the Mercantile Marine. In the first instance, ships had been requisitioned only for naval and military purposes; later they had been taken up for the carriage of such commercial cargoes as the Government considered to be of special national importance, and had even been used to carry private cargo at commercial rates for the profit of the State; but though this development involved a considerable extension of the prerogative as hitherto exercised, it left the ownership of the vessels unimpaired—they were all subject to re-delivery after the war. It was quite a different thing to prohibit owners from adding to their fleets, or replacing ships lost by war or marine perils, in order that the Government might build up a fleet of State-owned ships that could be used not merely for war purposes but for *post-bellum* commercial competition. It is not surprising that the shipowners, who could obtain no definite assurance with regard to the Government's ultimate intentions, betrayed considerable uneasiness.

This uneasiness with regard to the future was all the greater inasmuch as the immediate, practical results of State ownership were comparatively small. It gave no greater control of employment than was enjoyed in respect of requisitioned ships, and the financial saving was confined to the difference between Blue Book



Rates and the actual running expenses, including remuneration of managers—no very wide margin under existing conditions.

Perhaps the strongest argument for State ownership was the belief that innovations in shipyard organization and practice, such as dilution of labour, 'payment by results', and the extended use of labour-saving machinery, would meet with less opposition from the Unions if all suspicion of private profit were eliminated. It cannot be said that experience did much to justify this hope, but at the time it carried considerable weight. Nevertheless, the decision was widely regarded—and with some reason—as a sop thrown to the advocates of nationalization, and an indication that no final decision had been reached on the future policy of the Government with reference to their proposals.

To assist him in working out the shipbuilding programme, the Controller formed, during December, the Merchant Shipbuilding Advisory Committee, composed of leading representatives of the industry, together with a small executive staff under Mr. Westcott Abell, Chief Ship Surveyor to *Lloyd's Register*, as Technical Adviser. The acquisition of ships abroad was entrusted to Mr. John Espfen, as Director of Overseas Ship Purchase.

Meanwhile, the Ministry of Shipping was being gradually built up. At the head stood the Controller, in whom all executive authority was officially concentrated. The Shipping Control Committee was retained as an advisory body on all broad questions of policy, with the Controller himself as Chairman, and the Parliamentary Secretary as an *ex-officio* member. The administrative staff were grouped in three great departments—those of the Director of Transports and Shipping, the Secretary, and the Accountant-General. Of these, the Accountant-General's department, or Finance Branch, was formed in April 1917, when a separate Ministry of Shipping vote was instituted, from the Finance Branch of the old Transport Department, and its functions are sufficiently indicated by its title. Concerning the other two departments a word must be said.

The Department of the Director of Transports and Shipping was, originally, simply the old Transport Department, which was transferred lock-stock-and-barrel to the Ministry in February 1917. The Director of Transports, under his new title, remained



responsible to the Admiralty direct in respect of all vessels on naval and military employment, but in all other respects he was now responsible to the Controller, who was empowered, also, to inquire into the running of ships on naval or military service, and to make direct representations on the subject to the Admiralty or the Cabinet, with a view to tonnage economy. Under this arrangement, Mr. Graeme Thomson became an *ex-officio* member of the Shipping Control Committee.

As transferred, the Department comprised seven branches: Naval, Military, Commercial, Requisitioning, the Naval Assistant's, Establishment, and Finance. Finance and Establishment Branches subsequently split off; the remainder were retained unchanged, though Commercial Branch—now known as Commercial Services Branch—attained a greatly increased importance under the new policy of universal requisition. Two new branches were subsequently added: Home Trade Branch in June 1917, when the coasting traffic was first brought under control; and Port Branch in May, to act as a link with the Port and Traffic Executive Committee, which retained its separate and independent existence, though its directions were made 'subject to any instructions of the Shipping Controller'.<sup>1</sup>

The Secretary's Department was gradually built up under Mr. John Anderson, who became Secretary to the Shipping Control Committee and the Ministry in January 1917. It finally comprised six branches: Ship Management, General, Statistical, Manning, Legal, and Gratuities. Of these, the first three were the most important. Ship Management Branch was formed in April 1917, to supervise the running of State-owned ships, such as prizes and vessels acquired under the new programme of building and purchase. General Branch was organized in two divisions, one formed round the Establishment Branch of the Transport Department, the other dealing with a number of miscellaneous questions, its most important functions being to act as a link with the various bodies controlling neutral shipping, and to work the system of ship licensing.

It might be thought that, under universal requisition, licensing would no longer be required. We shall see, however, in the next

<sup>1</sup> Defence of the Realm Regulation 39 c.

chapter, that the bulk of the liner fleets were never brought under full requisition, and though the 'Liner Requisition Scheme' gave the Controller unlimited powers of direction, formal licences were still issued, as an additional check on the running of the ships. Even among the tramps there were many which, for various reasons, were still exempted from full requisition, and the control of these, as well as the larger sailing vessels, for which useful employment was found out of reach of the submarine, was vested in the Licensing Section now formed in General Branch.

An additional reason for the retention of licensing was the expectation that the relaxation of control after the war, like its development during the war, would proceed by stages, and that a period of control by licence would intervene between release from requisition and the restoration of full economic freedom. This obviously could more easily be accomplished if the licensing machinery were kept, meanwhile, continuously operative.

Statistical Branch was formed, primarily, for the purpose of providing the necessary data for the Tonnage Priority Committee, appointed by the Controller in January 1917. This Committee owed its origin to a decision taken by the Government, during December 1916, to consider the restriction of non-essential imports. At the suggestion of Mr. J. A. Salter, Director of Requisitioning, the Shipping Control Committee had obtained from Sir Norman Hill an estimate of the probable tonnage deficiency in 1917, and so alarming was his report that, on 21st December, the Government appointed a Committee, under Lord Curzon of Kedleston, to report on the whole question of import restrictions.

Lord Curzon's Committee decided, on 8th January 1917, to appoint an Interdepartmental Committee, under Sir Henry Babington Smith, for the purpose of working out a detailed programme of restrictions. This was done, and on 31st March a long list of commodities appeared in the *Gazette*, the import of which was prohibited except under special licence. Further restrictions were laid on the imports of paper and paper-making materials and the other items already under regulation; timber imports and those of brewing materials were very heavily cut, and the import of a large number of other articles was either totally prohibited

or drastically reduced by licensing. In all, the savings were estimated to amount to nearly 6,000,000 tons a year, thus allowing for a heavy decline in the carrying-power available without affecting the space available for the carriage of essentials. Meanwhile the Tonnage Priority Committee was formed, under the Chairmanship of Sir Leo Chiozza Money, to examine the demands of the importing departments, all of whom were represented upon it, and draw up a monthly priority list of imports within the capacity of the available shipping.

It is a little ironical that this measure, which the Liverpool Steam Ship Owners' Association had proposed in October 1915 as the most effective method of bringing down freights and ensuring essential supplies, should not have been adopted until after the adoption of that extended State control as an alternative to which it was put forward. Most impartial students of the history of supply during the war will probably agree that it should have been adopted when first proposed, though they will differ as to how far it could have averted the necessity for the other steps that were in fact taken. It is only fair, however, to point out that by 1917 the problem had become considerably less complicated. The fact that so large a proportion of imports were now on Government account or under Government control removed many administrative difficulties. The absorption of capital, plant, and labour in production for war purposes reduced the probable dislocation of industry. The increased commitments undertaken for the Allies rendered it easier to obtain their assent to the inevitable interference with their export trade.

It will be seen that, of the various bodies concerned with the control of shipping during 1916, the Ministry had absorbed the Transport Department, the Shipping Control Committee, and the Ship Licensing Committee. The Carriage of Foodstuffs Committee had ceased to exist before the appointment of the Controller; the Transport Advisory Committee was dissolved on the creation of the Ministry. It remains to consider the relations between the Ministry and the Board of Trade.

The chief problem in this connexion was that of insulated tonnage. The responsibility of the Board of Trade for the meat supply of the Allied Armies involved retention by them of their



control over the insulated space in the Plate and Australasian liners, yet the Controller could hardly perform his functions efficiently if so important a class of ships were withdrawn from his control, and a deadlock might easily have arisen but for the cordial relations which, from the first, existed between the two departments. In the first instance, co-ordination was secured by simple consultation; but in March 1917, at the instance of Sir Lionel Fletcher of the Ministry of Shipping and Mr. H. W. Macrosty of the Board of Trade, an informal joint committee was set up comprising representatives of both departments and of the Plate and Australasian Refrigerated Tonnage Committees. To this Committee, to which representatives of the War Office and Ministry of Food were subsequently added, all questions affecting insulated tonnage were referred before action was taken.

The Board of Trade, through its Marine Department, continued to be responsible for all questions relating to registry, load-lines, and other matters dealt with by the Merchant Shipping Acts, but close touch was maintained, on all these questions, between the Controller and the Board. On the Controller was conferred power to enforce the equipment of ships with defensive apparatus such as 'Otter Gear' and Paravanes, and he was also empowered to direct owners to enclose upper deck space on their ships with the object of increasing their carrying capacity.<sup>1</sup> Where, however, it was desired that the load-line of a ship should be altered in a manner inconsistent with the Acts, the matter was dealt with by direct negotiation with the Board. As regards the transfer of ships, the Board continued to be responsible for the working of the Transfer Restriction Acts; but a regulation made in connexion with the Government's programme of ship purchase empowered the Controller to prohibit the purchase by a British subject of any ship whatsoever. This gave him control even over transfers from one owner in the United Kingdom to another, but this power was only exercised in exceptional circumstances, the main object of the regulation being to preserve the monopoly of the Director of Overseas Ship Purchase.<sup>2</sup>

Another function hitherto exercised by the Board of Trade was the chartering, through Messrs. Furness, Withy & Co., of neutral

<sup>1</sup> Defence of the Realm Regulations 37 C, 39 E.

<sup>2</sup> *Ibid.*, 39 CC.



ships for British and Allied service. This function was transferred, in January 1917, to the Inter-Allied Chartering Committee, and for the purpose of giving this body, so far as Great Britain was concerned, an effective monopoly, a regulation was issued prohibiting the chartering of non-British ships without a licence from the Board.<sup>1</sup> It was not until January 1918 that this regulation was amended by making the Controller, instead of the Board, the licensing authority; but the Inter-Allied Chartering Committee decided, from the first, to leave ore fixtures in the hands of the Official Ore Broker, and on 1st April this official was transferred from the Ministry of Munitions to the Commercial Services Branch of the Ministry of Shipping.

With the exception of the scattered regulations already mentioned, no further attempt was made to define the powers of the Controller until June 1917, when he was empowered under the Defence of the Realm Act to 'make orders regulating, restricting or giving directions with respect to the nature of the trades in which ships are to be employed, the traffic to be carried therein, and the terms and conditions on which the traffic is to be carried, the ports at which cargo is to be loaded or discharged or passengers embarked or disembarked (including directions requiring ships to proceed to specific ports for the purpose of loading or unloading cargo or embarking or disembarking passengers), the ports at which consignees of cargo are to take delivery thereof, the rates (maxima or minima) to be charged for freight or hire of ships and the carriage of passengers, the form of bills of lading and passenger tickets, and other matters affecting shipping, where it appears to the Controller to be necessary or expedient to make any such order for the purpose of making shipping available for the needs of the country in such a manner as to make the best use thereof having regard to the circumstances of the time'. He was also given power to requisition 'any ships, or any cargo space or passenger accommodation in any ships, or any rights under any charter, freight engagement, or similar contract affecting any ship' on terms to be agreed or decided by the Admiralty Arbitration Board, and to abrogate any contract affected by the order. Further, the terms of the regulation were to apply, as from 28th June 1917, to

<sup>1</sup> *Ibid.*, 39 D.

all ships or space previously requisitioned by the Controller.<sup>1</sup> This regulation was amended in November, so as to extend its operation to shipyards and shipbuilding facilities generally, and in January 1918 the licensing of all voyages, both in the foreign and the coasting trade, was, for the first time, explicitly vested in the Controller.<sup>2</sup>

Pending the issue of these regulations, the Controller continued to act under the general powers conferred on him by the New Ministers and Secretaries Act, and all Requisitioning Letters were sent out in the name of the Admiralty.<sup>3</sup> The validity of the Regulations themselves was subsequently tested and affirmed in the Courts;<sup>4</sup> but how far everything previously done by the Ministry of Shipping was covered by the provisions of the Act appears to be subject to some little doubt. On the whole, however, there was little disposition to question the Controller's authority. Even if well-founded, any legal objection was always liable to be overridden by an amending Act, and apart from this, there was a strong feeling that the Government should not be hampered in the prosecution of the war, by too close an inquiry into the strict legality of administrative action.

No small part of the loyalty with which the Controller's decisions were received and obeyed may, however, be traced to the personal influence of Sir Joseph Maclay himself and the other eminent shipowners who were associated in the work of control. It was evident from the first that the staff of the Ministry must necessarily be of composite character. It was necessary that there should be a large proportion of men trained in the work of administration, acquainted with the routine of departmental business, and accustomed to the checks and safeguards requisite

<sup>1</sup> Regulation 39 BBB.

<sup>2</sup> Defence of the Realm Regulation, 39 DD.

<sup>3</sup> It is to be noted that neither under the Act nor the Regulations had the Controller any power over ships on Dominion or Colonial Register. All matters relating to such ships had to be arranged with and through their respective Governments.

<sup>4</sup> In *Hudson's Bay Co. v. Maclay* (1920), 36 T.L.R. 469. It has been suggested, however, that there is a possible conflict between this decision and that in *Newcastle Breweries Ltd. v. The King*, where it was decided that the right of owners of stores requisitioned for naval and military use could not be deprived by regulation of their statutory right to payment at fair market rates, to be assessed, in the event of dispute, by a County Court Judge. It seems probable, however, that the effect of the last-named decision is confined to goods requisitioned for use of the Army and Navy under the special Acts relating thereto. See Scott and Hildesley, *The Case of Requisition*, pp. 97-101.

in dealing with public money. It was essential also that there should be men of experience and proved ability in the handling of shipping problems, and the appointment of a shipowner as Controller greatly facilitated their introduction.

In addition to the Controller himself, the three ordinary members of the Shipping Control Committee (Sir Kenneth Anderson, Sir Frederick Lewis, and Sir Thomas Royden) were all shipowners ; on the other hand, the three heads of departments, Mr. Graeme Thomson, Mr. John Anderson, and Sir Frederick Banbury, Accountant-General, were permanent Civil Servants. In the Transport Department, now bodily transferred to the Ministry, the Directors of Requisitioning, Naval, and Military Branches (Mr. J. A. Salter, Mr. B. A. Kemball Cook, and Mr. Foley) were Civil Servants, but the Director of Commercial Services was Sir Percy Bates, a Liverpool shipowner, and another shipowner, Mr. A. H. Read, was brought in as Director of Home Trade Branch. Port Branch was under Mr. L. A. P. Warner, who came from the Mersey Docks and Harbour Board. In the Secretary's Department the majority of the branches were under Civil Servants, but a prominent shipowner, Mr. Ernest Glover, was placed at the head of Ship Management Branch. In both Departments numerous shipping men served as heads of sections or as members of the staff. The various Committees formed within the Ministry, or linked to it, were composed, in large part, of shipowners.

No injustice is done to the ability, zeal, and impartiality of the permanent Civil Servants, in saying that this close association of shipowners with the Ministry was essential to its success. It was not only that their knowledge and experience were invaluable in the practical work of the Ministry ; their services were of the utmost importance in conducting negotiations with their fellow shipowners. Their intimate knowledge of the business enabled them to detect anything that was unreasonable in the owners' proposals or complaints ; their personal influence smoothed the way for the adoption of controversial measures, and even when they were unable to convince certain sections of the industry that these measures were necessary, they were usually able to secure the co-operation of the dissentients in an honest endeavour to work the new system to the best possible advantage.



It may be added that not only was the Controller himself unpaid, but all those leading owners who served the Ministry as members of Committees, or Directors of Branches, and in some cases of Sections, gave their services without asking any remuneration, or even expenses, except for a modest subsistence allowance to a few of those not ordinarily resident in London. The managers and clerks from shipping offices, who were employed as heads of Sections or as ordinary members of the staff, were paid at ordinary Civil Service rates.

In addition to those owners who were actually brought into the Ministry, it must be remembered that a great deal of the work of control was performed by the shipowners' organizations themselves. The War Risks Associations continued to be responsible for the whole administration of the State Insurance Scheme. The scheme, to be described in the next chapter, by which the problem of liner requisition was ultimately solved, depended absolutely on the unpaid, strenuous labour of Committees appointed by the Liner Conferences.

For the management of fully requisitioned vessels, so far as manning, victualling, stores, and repairs were concerned, the owners continued to be responsible. There were now, however, a large number of vessels in the service of the State of which the State itself was the owner. It will be remembered that in 1915 the Transport Department had appointed a number of shipowners to manage the prize and detained vessels in their service, and it was mainly for the purpose of re-allocating these vessels so as to secure greater similarity of type between those allotted to each manager and those he ordinarily handled that Ship Management Branch was formed. To this, however, was speedily added the appointment of managers for the ships built or purchased on Government account.<sup>1</sup> Later came a large number of neutral and Russian vessels requisitioned, under the law of angary, or by agreement, during 1917 and 1918.

There was no lack of applicants for the post of manager.

<sup>1</sup> These ships were at first registered in the names of the managers, in order to avoid the disabilities, such as compliance with the twenty-four hours rule, that might be laid on them in neutral ports as 'public ships'. After the United States and certain South American Republics had come into the war, the danger of such disabilities became remote, and by Order in Council of 29 September 1917 the Shipping Controller was empowered to register ships in his own name.



Many small tramp owners had lost the whole of their vessels by war casualties. A still larger number had seen the whole or the greater part of their fleets requisitioned, and were without employment save for the duties already referred to. To all such owners the remuneration paid to managers was a consideration. This remuneration was on a fixed basis, but when the ships were employed in carrying private cargo at commercial rates, a percentage on earnings was also paid.

The primary consideration in making appointments was, of course, to obtain the most efficient handling, by entrusting them to owners accustomed to manage vessels of similar type; but subject to this, the object of Ship Management Branch was to spread the appointments as widely as possible, and save in exceptional cases, only two or three ships were allotted to each manager, a preference being given to owners who had sustained heavy war losses, or whose whole fleets had been requisitioned.<sup>1</sup> No applications, however, were entertained from those who had taken advantage of the boom to sell their fleets.

In the spring of 1918 the duties of Ship Management Branch were still further extended. There were now some 3,000 steamers on full requisition, and the Controller was desirous of establishing closer supervision over their running, with a view to obtaining quicker turn-round and fuller utilization of carrying capacity. In respect of hospital and troop ships, tankers, cross-Channel steamers, ships employed in the Indian, Persian Gulf, and East African services, and vessels under 1,600 tons, no change was deemed necessary or possible; but there remained 2,000 ocean-going steamers, employed as Admiralty colliers, as naval and military supply ships, or in the carriage of commercial cargoes on Government account. To deal with these, twenty experienced shipowners were introduced into the Ministry, each of whom undertook the supervision of about 100 vessels. The owners remained responsible, as before, for manning, victualling, and storing the ships; but the new managers undertook to deal with all questions of bunkering, ballast, repairs, and dry-docking, as well as to keep a watch on the employment of the vessels, with a view to suggesting possible economies to the Executive Branches concerned.

<sup>1</sup> By the end of the war a total of 227 managers had been appointed.

The services of shipowners were also sought in the running of vessels, in commercial service, from or to ports where the Ministry had no agency organization, more especially in the Allied services. In addition to 197 self-consigned or directed vessels, making 503 voyages under the Liner Requisition Scheme,<sup>1</sup> the Cunard Steam Ship Company handled in this way 1,587 vessels, making 1,737 voyages for the Wheat Executive, the Collier Section, and other authorities. The Elder Dempster Line undertook the management, at one time or another, of over 400 steamers, and many other companies acquired, in this way, large responsibilities.

Finally, it should be noted that, in addition to requisitioned neutrals, there were a large number of neutral steamers on charter to the British and Allied Governments. Those chartered by the Board of Trade, prior to the establishment of the Ministry of Shipping, had been fixed through Messrs. Furness, Withy & Co., who gave their services in the matter, refusing the ordinary brokerage commission. When the arrangements for neutral tonnage were centralized in the hands of the Inter-Allied Chartering Committee, the majority of the ships were still chartered by the Committee to Messrs. Furness, Withy & Co., who sub-chartered them to nominees of the Allied Governments or the Wheat Executive, again refusing remuneration. They also supervised the management of a large number of the ships. By the end of 1917, Messrs. Furness, Withy & Co. had 470 chartered neutrals on their hands and were compelled to seek the assistance of sub-managers.<sup>2</sup>

This close association of the shipowners with the Ministry and its work must not, of course, be allowed to obscure the reality of the control now exercised over the industry. The owners who actually took part in the work of the Ministry were acting as public servants, carrying out a policy the broad lines of which followed Cabinet decisions. In framing and administering the detailed policy of the Ministry itself, they were associated with

<sup>1</sup> See Chapter XIV, *post*. The figures are communicated by courtesy of the Company.

<sup>2</sup> In this connexion it may be noted that, throughout the war, all tonnage chartered by the Commission for Belgian Relief was fixed by British brokers, who presented to the Relief Fund the whole of the brokerage commission. Underwriters also assisted by quoting specially low rates on these ships. See Cuthbert Maughan, 'The Shipping Problem,' *Quarterly Review*, No. 447, April 1916, at p. 467.

Civil Officials of eminent ability and high authority who had no connexion with the industry, and whose voice carried great weight in the councils of the Ministry. The private owners who co-operated in the management of requisitioned ships or chartered neutrals had no voice in their allocation or employment; they were the servants of an organization whose policy they had no means of influencing. Nevertheless, it is impossible to obtain an accurate view of the work of the Ministry without bearing constantly in mind that, as in the days of the Shipping Control, Ship Licensing, Carriage of Foodstuffs, and Advisory Committees, the control of shipping was carried on largely by and through the leading representatives and organizations of the industry itself, and rested, at bottom, on a basis of agreement rather than sheer compulsion. This is very clearly seen in the scheme by which the problem of universal requisition was finally solved.

## CHAPTER XIV

### UNIVERSAL REQUISITION

THE real significance of the decision to make requisitioning 'universal' lay in its application to the liner trades. The great majority of the tramp steamers were already fully requisitioned, and of those that remained nominally 'free', the greater number were plying, under licence, and at agreed or limitation rates, in the service of the Allies. Many of them were subsequently requisitioned and replaced by neutral shipping of which control had been obtained under the various tonnage agreements concluded during 1917 and 1918; but those which remained in Allied service, more especially in the French coal trade, were mostly exempted from requisition, as the Limitation Freights were considered sufficient security for French interests, and even at those rates, the earnings of the ships helped to swell the receipts of the Exchequer from Income Tax and Excess Profits Duty.

Other 'free' tramps were protected by special agreements. Some had been allowed a few free voyages in recoupment of 'acceleration costs', and these had to be run off before they could be requisitioned. Others were vessels locked in the Baltic at the outbreak of war, whose owners had incurred heavy expenditure in arranging their escape during 1916, and had been promised exemption from requisition as an inducement to incur it. This promise it was considered inexpedient to break, but the ships were made liable to direction as regards their voyages, and to some measure of freight limitation.

Many were engaged in the coasting trade, and the coasting trade had not yet been brought under any form of control. Few coasting steamers exceeded 1,600 tons gross, and though a considerable number of vessels below this limit were requisitioned for naval and military service, and many others were employed under licence in the cross-Channel coal trade, they were not considered suitable for general ocean-going purposes. Thus, few of the vessels employed in coasting could be looked to for the fulfilment of any fresh demand on the general pool of tonnage, and in the circum-



stances it was not thought necessary to burden the Ship Licensing Committee or other authorities with their supervision.

Even after the decision to make requisitioning universal the coasting traffic was allowed to remain in private hands. It was not, as we have seen, until June 1917 that the Home Trade Branch of the Ministry of Shipping was formed, and the control exercised by the Branch was, at first, of a very elastic character. The coasting Companies were not flourishing. Freights had risen ; but they were kept down by the competition of the railways, running at artificially restricted rates ; thus with all working expenses greatly increased, the margin of profit was small. Indeed, many owners had transferred their ships to the French coal trade, where, despite the Freight Limitation Scheme, they could earn more than in coasting traffic.

The main object of Home Trade Branch was to check the decline in this traffic which had been going on since the beginning of the war, and was due as much to the competition of the artificial railway rates as to the withdrawal of tonnage for naval and military purposes or the effects of the submarine campaign. The first work of the Branch was to obtain a weekly return of all regular liners, and all tramps of 250 tons gross and upwards engaged in coasting or in the cross-Channel services, showing the capacity, employment, and future commitments of the vessels. Armed with these returns, the Branch proceeded to shepherd back tonnage from the French coal trade, discourage ballast voyages or voyages with part cargoes, and give directions, where necessary, as to the order of priority in which the various classes of cargo or even particular cargoes were to be lifted.

These directions were issued under no specific authority. The threat of requisition was, of course, the trump card in the hands of the Ministry, and could be held *in terrorem* over the heads of contumacious owners, but with few exceptions the owners showed no disposition to disobey instructions. They had been struggling hard to maintain their services in very difficult circumstances, and were ready to co-operate in any measures that promised greater efficiency in the traffic.

Right down to the end of the war the coasting trade remained in the hands of ' free ' shipping. It was not until January 1918

that even a formal licensing system was introduced, or coasting freights restricted. By that time those freights had risen above those in the French trade, and Home Trade Branch accordingly agreed with representative owners on a schedule of rates corresponding, so far as possible, to those in the cross-Channel traffic. Even then, the main difficulty was to obtain cargoes, and during the summer of 1918 it became necessary to bring pressure to bear on the railways to refuse the carriage of goods for which coastal tonnage was available, thus enabling the congestion of the ports, and of the railways themselves, to be in some measure relieved.

Such few free tramps as were neither coasting, ear-marked for the Allies, nor protected by special promises of exemption, were speedily requisitioned, with the exception of a few vessels, mostly on Dominion or Colonial Register, that were still in permanent employment abroad. The practice of 'temporary release' was also discontinued. This, however, involved little real hardship to the owners. Admirably as the system had worked when first instituted, the urgency of departmental demands had, of late, rendered it less easy to grant even a temporary release from requisition; a considerable amount of tonnage for the ore trade was provided by agreements with the Allies as to the return voyages of colliers allocated to their service, and the conditions of that trade had become so onerous that many owners preferred to leave their ships in the hands of the Transport Department.

Thus, so far as tramp shipping was concerned, the decision to make requisition universal pushed only a little farther the principle already applied, and introduced no new difficulties and no new controversies into the working of the control. The position as regards the liner trades was very different. While 'free' ships were the exception in the tramp trades, they were the rule among the liners. It is true that over one-third of the liners on the register had been requisitioned,<sup>1</sup> but these had been taken pretty

<sup>1</sup> On 28 February 1917 the position was as follows :

	Total	Fully requisitioned	Proportion requisitioned per cent.
Liners (including tramps chartered to lines)	1,953	736	37·7
Tramps . . . . .	1,425	925	64·9
Oilers . . . . .	202	109	54·0
Total s.s. 1,600 tons gross and up, excluding prizes . . . . .	3,580	1,770	49·4

equally from the various trades, and many of them had been replaced in the liner fleets by purchased or chartered tramps, so that the majority of the services were maintained on something like a normal basis. The insulated space in meat-carrying steamers was under requisition by the Board of Trade, and wheat, wool, and sugar, and other Government imports, were carried by all the lines at approximately Blue Book Rates ; in the North Atlantic, indeed, the proportion of the total dead-weight capacity definitely allocated to wheat and munitions had been increased in January to 85 per cent. These arrangements, however, while they restricted the liner companies' profits, involved very little interference with the general management of the lines or the running of schedule services. Their chief effect, so far as shipping was concerned, was to constitute the State a shipper of specified quantities on specially favourable terms.

From the point of view both of the State and of the ship-owners, the requisition of space, even up to 85 per cent. of the total, was a very different matter from the requisition of the whole ship. In the first place, a considerable proportion of the ship-owners' profit was derived from the high freights received for private cargo carried in the free space. In the second place, the ships were left in their owners' hands to be run in their usual trade, so that no machinery for State management was necessary ; while the fact that payment was made on a voyage or ton, not on a time basis, gave a satisfactory guarantee that they would be run efficiently. On the other hand, the ships, not being themselves under Government control, were not available for allocation to other services in the same way as fully requisitioned vessels.

While the profits derived by the liner companies from private cargo offended against the new principle of confining the general remuneration of owners to Blue Book Rates, the presence of such cargo constituted a serious difficulty in the way of full requisition. It was easy enough to fix freights for Government cargoes ; but if the open freight market for private cargo were destroyed, it would be necessary for the lines to exercise an arbitrary discretion in respect of the goods to be carried, which would inevitably involve friction with shippers, and was irreconcilable with the legal obligations imposed on the owners by some foreign Governments.



In so far as the lines continued to act as 'common carriers', it was evident that their existing management must be continued in some form, whatever became of the profits.

Further, while a passenger liner taken up as a troop-ship, or a cargo liner loaded with a full cargo of wheat, could be hired on Blue Book time-charter terms, covering all such duties of management as were normally undertaken by owners under a time-charter, a vessel intended to run with mixed cargo and passengers in the ordinary liner trades would be of no use unless the terms of requisition covered the full services of the organization built up by the line at home and abroad.

Even this, however, was not the greatest difficulty. Before the Government had decided on universal requisition, before the Shipping Controller had assumed office, the Transport Department had decided that, in view of the exhaustion of the pool of tramp tonnage, it would be necessary to make large drafts on the liner fleets for the fulfilment of their current commitments, and that these drafts must be made first on the long-distance services. By January 1917 the discovery of additional grain reserves in North America and the temporary solution of the dollar credit problem had led to the abandonment of the Australian wheat programme, and it was decided to confine purchases, so far as possible, to the nearest sources of supply. This obviously involved a concentration of tonnage in the Atlantic, and the Department proposed to secure this, in part, by the diversion of liners from the more distant routes to the Atlantic tracks.

This tendency was accentuated by the outbreak of the unrestricted submarine campaign on 1st February, both because the heavy losses suffered increased the shortage of tonnage and because the evident probability of the United States coming into the war held out a promise of solving permanently the financial problem. America did not, in fact, declare war until 2nd April 1917, and it was not until 17th May that the Government issued definite instructions for the importing Departments to restrict their purchases in all other markets to a minimum, regardless of exchange considerations; but the principle of Atlantic concentration had begun to take effect some weeks before that date.

How was this concentration to be effected? It was this



question that finally forced a decision on the whole question of liner requisition, the difficulties of which might otherwise have led to the shelving of the problem. It is maintained by some, well qualified to judge, that the control of imports would, in itself, have secured the necessary rearrangement of services; ships would have been diverted, in the ordinary course of business, from the routes on which cargo was scarce to the ports where the Government purchases and permitted private imports could be shipped. Such, however, was not the view of the Ministry of Shipping, or of some eminent shipowners who were associated with their work. In their view the necessary flexibility of services could only be secured by empowering the Controller to divert any ship, at any moment, from its accustomed trade to such other service as he should think fit, and to impose on vessels left in the depleted trades such conditions as to sailings and ports of call as would enable the cargoes still required to be carried by the minimum number of ships. Without such control, they considered that the natural desire of the liner companies to retain their connexions and goodwill and to discharge their obligations to shippers would have the effect of retaining surplus tonnage in the distant trades, and would cause the redirection of shipping to lag behind the redirection of demand. Further, there were grave difficulties in arranging for the management of diverted liners, except through some authority having control over the liner organizations as a whole.

So far, the problem could be solved by taking up the ships it was desired to divert on ordinary full requisition, and entrusting them for management to companies in the Atlantic trade; but this would not provide for the pooling of services and agencies so as to enable the depleted trades to be carried on with a minimum of tonnage, nor could it be done without producing gross financial inequality as between the companies. However much services were depleted, the great agency organizations of the lines must be kept up, to preserve their goodwill and business connexions as well as to handle the remaining ships, and the burden of these overhead charges would be extremely serious for companies whose services were extensively cut down.

Among those who reasoned thus were Sir Kenneth Anderson,

a member of the Shipping Control Committee, and Sir Lionel Fletcher, who had joined the staff of the Ministry, both of whom had large interests in the Australasian trade. For some time past they had been engaged in consideration of the problem, and on 19th February 1917 they presented to the Controller a joint memorandum summarizing their conclusions. Starting from the postulate that the shipping situation rendered it necessary that all liner tonnage should be made equally available for any employment, at the Controller's discretion, they proceeded to argue that this could only be accomplished, without gross injustice, by securing to all liners equality of reward, irrespective of the employment in which they were placed, and that, since any arrangement for the pooling of profits would be a complex and lengthy business this could only be accomplished by bringing them all under Government requisition. The ships, however, would be useless unless the full service of the liner organizations were also secured, and for this purpose they proposed that the vessels should be left in the hands of their owners, to be run on Government account, under the general supervision of a Committee for each trade, on which both the Controller and the owners should be represented. They further suggested that the agency interests in each trade should be pooled, so as to render it a matter of indifference to what port ships were sent.

Inasmuch as the use of the liner organizations was the pivot of the whole scheme, it was essential to its effective working that the co-operation of the companies should be willing and whole-hearted, and before submitting their memorandum, Sir Kenneth Anderson and Sir Lionel Fletcher had submitted it to representatives of other liner interests and obtained their general approval of its terms. The Controller had, therefore, little hesitation in accepting it as the basis of a scheme which would enable him to fulfil the Government's desire for universal requisition, and, what was far more important at the moment, give him the power of making the necessary diversions to the Atlantic tracks.

A Liner Requisitioning Section, under Sir Lionel Fletcher, was accordingly formed in the Ministry of Shipping, attached to which was a Liner Requisitioning Committee, composed of leading shipowners. Each member of the Committee eventually undertook

the supervision of a definite trade or group of trades, while Sir Kenneth Anderson, as representative of the Controller on the Committee, was responsible to him for the working of the whole scheme.

The requisite machinery naturally took some time to elaborate, and it was necessary to proceed gradually with the requisition of the lines. The long-distance trades, from which it was desired to divert tonnage, were the first taken, and others were added as the organization expanded. By the end of April the majority of the main direct trades had been brought under requisition, and by 31st May there were few services of any importance, either on the direct or the cross-routes, that had not been brought under the scheme.

The terms of the scheme itself were provisionally defined by the Requisitioning Letter sent out, so early as 28th February, to the lines in the Australasian trade. By this letter, the lines were informed that their ships were requisitioned as from the first occasion of completing discharge in the United Kingdom ; but that, subject to the Controller's power of diversion, they would be left in the owners' hands, in full confidence that the owners would run them on Government account with as much zeal and care as if their own interests were still involved. They were authorized to incur and to debit the Government with all such usual and necessary expenses as a prudent shipowner would normally incur, and would themselves be credited with hire at Blue Book Rates, less any items, charged as voyage expenses, which those rates were usually held to cover.<sup>1</sup> Agency and branch office charges were to be debited as expenses ; but it was hoped that a pooling arrangement might be arrived at with respect thereto. Subject to these adjustments, the total gross earnings of the vessel, from the date of requisition, were to be credited to the Government.

As regards the running of the ships, the Australian and New Zealand Conferences were desired to submit names from whom the Controller might appoint a Committee whose duty it would be to draw up a programme for the outward employment of the vessels in each trade. Such Committee was to be responsible for informing the Controller of all excess tonnage available for diversion, and

<sup>1</sup> Tramps chartered by a line for its regular services were treated as liners for all purposes of the scheme ; but were credited with hire at tramp (not liner) rate.



for such rearrangements of the sailing programme as the diversions might necessitate. The programme of homeward loadings was to be placed in the hands of Committees of Agents in Australia and New Zealand.

In thus asking the liner companies to create the necessary machinery for controlling their own business, and to run that business for Government account, without participating in the profits, the Controller was subjecting them to a demand for which there was little precedent even in the records of the war ; but the Australasian lines had already shown, in connexion with the arrangements as to insulated space, a genuine desire to assist the State. Apart from their unquestionable public spirit, the proposal itself offered them one very tangible advantage, inasmuch as the debiting of organization charges to voyage account relieved them of the prospect of heavy overhead expenses remaining as a burden on their depleted services. They replied, therefore, assuring the Controller of their hearty co-operation in carrying out the scheme, but suggested that, to get rid of the great difficulty in apportioning agency and organization charges, a commission of 10 per cent. on the gross earnings should be paid to cover these items. They put forward, also, certain minor proposals, such as the payment of extra marine insurance, where incurred, on diverted vessels ; fixed victualling charges for passengers, and a percentage allowance to cover all claims by passengers and shipowners for which the Government would otherwise be liable as voyage expenses.

Similar assurances were given by the majority of the Conferences to whom the Requisitioning Letter was sent ; but while little objection was raised by any of the trades from which it was proposed to withdraw tonnage, it soon became evident that the scheme—in its original form—appealed much less strongly to the one trade on which such directed tonnage was to be concentrated. The Liverpool shipowners had always been particularly distrustful of State control. It was not that those who guided their policy were less patriotic than the other leading shipowners. They had, indeed, deserved well of the country for their strenuous advocacy, sometimes against their own financial interests, of measures directed to the maximization of carrying-power ; but they were intensely suspicious of State interference in the actual running of



the ships. This attitude may be attributed in part to the tenacity with which they held to the economic principles of the Manchester school, and in part to the peculiar characteristics of the trade in which they were, most of them, engaged. It was on this ground that the North Atlantic Conference now raised certain objections to the scheme proposed in the Requisitioning Letter.

They began, indeed, by questioning the legality of the proposal to 'commandeer the profit-earning power of their organizations both here and abroad'; but they declared themselves perfectly willing to carry out the wishes of the Government, provided the conditions would enable each line to render the greatest possible service to the nation. They could not, however, accept the responsibility of managing the ships on Government account under conditions that, by impairing their carrying-power, would imperil the successful prosecution of the war, and they considered that the scheme outlined in the Requisitioning Letter would have this effect in the North Atlantic, however suitable it might be to other trades.

It was not merely that the North Atlantic was the only route on which it was now proposed to concentrate tonnage. Already the number of round voyages amounted to about 2,000 annually, as against 150-200 in the Australasian trade. This in itself enormously increased the difficulty of centralized control, by any Committee, of the sailing and loading programmes. Further, the North Atlantic Trade was a 'ferry service', in which the most important factor was a quick and regular turn-round, and this depended, above all, on the work of the offices and agencies in the collection of the cargoes, as well as on the pier, berth, and wharf establishments of the lines. The right of the Government to give general instructions as to the quantities and descriptions of the cargoes to be carried was not disputed, but the full utilization of the existing facilities, to give the quickest possible turn-round, could only be achieved by taking advantage of the driving power of the individual lines, and by investing those lines, individually, with responsibility and authority. In a highly organized ferry service, the centralizing of programmes and pooling of agencies could only result in hampering the working of the lines and leading to a disastrous waste of carrying-power.

They proposed, therefore, that the running of the liners in the North Atlantic trade should be left in the hands of those lines which already possessed an established organization for both loading and discharging in the United Kingdom and North America, such lines undertaking to run the vessels on Government account, as if for their own individual profit. With regard to the ships diverted from other trades to the North Atlantic, they suggested that the owners of diverted vessels should have the option of placing them voluntarily under the management of one of the Established Lines, and that failing such selection, they should be allotted for management by a committee to be appointed by the Controller.

Radical as was the departure contained in these proposals from the machinery outlined in the Requisitioning Letter, they left untouched the main principle of the scheme—the running of the ships on Government account. In his reply to the letter in which they were put forward, Sir Joseph Maclay stated that he had always recognized that the special characteristics and conditions of the North Atlantic trade would call for special treatment, and with one or two modifications directed to defining more clearly the powers of the Government, he accepted the proposals as a basis for discussion.

There was still, however, much to be done before the scheme could be regarded as complete. In particular, the whole question of remuneration for management and agency services had to be settled, not only with the North Atlantic Conference but with all the lines. The North Atlantic, in common with the other lines, first proposed a commission basis, and this had been the Controller's original intention; but owing to the wide variations in character between the various trades, and the still wider discrepancy between the manner in which they were to be dealt with as regards the maintenance of services, it was impossible to fix a rate that would be adequate in all trades without being excessive in some. Sir Kenneth Anderson, who was conducting the negotiations on behalf of the Ministry of Shipping, accordingly proposed that, instead of paying a commission on cargoes carried, the Government should allow the lines to debit, as voyage expenses, all agency commissions properly incurred, and the actual cost of maintaining their own organizations, whether those organizations

were fully employed or no. In other words the lines would pay over to the Government the total gross earnings of the ship less (1) Blue Book hire, (2) actual out-of-pocket expenses not covered by the Blue Book Rates, (3) permanent overhead charges.

This offer was readily accepted by all the lines. To the trades from which it was proposed to divert tonnage, the upkeep of their organizations was the all-important question. Even for the Atlantic lines it had become a serious consideration, owing to the increase in running expenses, and to their exclusion from the 'one-account' for Excess Profit Duty. For all the liner companies this question of organization charges was of more importance than their pecuniary interest in the carriage of private cargo, and the provision for recoupment of such charges outweighed any disadvantages attaching to the scheme.

The details of accounting, more especially the definition of voyage expenses and organization charges, were not to be settled off-hand, and several months elapsed before agreement on all points could be obtained. This, however, was not allowed to impede the carrying out of the scheme. The North Atlantic Allocation Committee was formed in April, and by the end of that month Conference Committees and Loading Committees had been formed for most of the other trades, on the lines laid down in the Requisitioning Letters. For these trades, Priority Cargo programmes were worked out monthly by Commercial Services Branch, and all tonnage in excess of that required to lift the priority cargo was diverted to the North Atlantic, where the ships were allotted by the Allocation Committee for management by the Established Lines, in proportion to their capacity for undertaking additional responsibility. From May 1917 onwards the Liner Requisition Scheme may be said to have been in full working order so far as the running of the ships was concerned; both the Ministry and the owners being content to leave the financial details for subsequent adjustment, in full faith that an equitable settlement would be reached.

The Heads of Arrangement submitted by the North Atlantic Conference were accepted as the basis of the negotiations. The financial questions were the same for all lines, and all lines outside the North Atlantic were interested in the provisions relating to the



treatment of diverted vessels. Indeed, the scope of these provisions was not confined to the North Atlantic. The whole purpose of the scheme was to secure the utmost flexibility of services, in order to meet the changing demands of the situation as regards tonnage and supplies; and diversions of meat-steamers, for example, from the Australasian to the Plate trade became very frequent in the final stages of the war.

Even with a definite basis for discussion, the progress of negotiations with some thirty conferences was likely to be slow, and during June the chairmen of the leading conferences were formed into a committee, under Lord Inchcape, for the purpose of centralizing the negotiations. The chairmen, however, were not plenipotentiaries. Although the conference committees were responsible, except in the North Atlantic, for the framing of sailing programmes and for reporting superfluous tonnage to the Liner Requisition Committee, the whole basis of the scheme, as now accepted, rested on the individual responsibility of the Established Lines in each trade for the running of the ships. On the financial side, too, it was essential, in order to avoid disputes over the accounts which, it must be remembered, would ultimately have to be settled with the Treasury, not with the Ministry of Shipping, that there should be a definite agreement between the Government and the individual lines, and this agreement would not become effective until the companies themselves had signed the Heads of Arrangement.

Apart from financial questions, the chief problem related to the treatment of diverted vessels. By confining the Established Lines to those actually operating ships in each trade, full security was given to such lines against the setting up of new competitors under cover of war emergency; but the task of defining the relations between the Established and Consigning Lines, in such a manner as to preserve the goodwill and trade secrets of each, was one of some delicacy. Eventually, it was arranged that the management of self-consigned vessels—those voluntarily placed in the hands of a particular Established Line—should be left, so far as possible, to their owners, who might employ their own loading organization in the United Kingdom; but that the engagement of all cargo both at home and abroad, and the loading



of all cargo abroad, should be carried out solely by the Established Line, the responsible party under the agreement. Further, the Consigning Line was to be allowed to present its own voyage accounts for self-consigned vessels, and was to be furnished by the Established Line with the necessary material for that purpose. The accounts for all other vessels were to be presented by the Established Line. Neither line was to be required to disclose to the other any information prejudicial to the maintenance of its own business and goodwill, subject, of course, to the necessity of disclosing to the Government all such information as they were entitled to receive under the agreement.

On the financial side, the chief difficulty was presented by the definition and treatment of organization charges. This was eventually settled on the basis of the Government paying all out-of-pocket costs properly incurred under this head, together with an allowance representing a fair equivalent of rent for premises the property of the line.

Three other stumbling-blocks were mail subsidies, off-pay, and war risks. For a time, the shipowners strove hard to have mail money and subsidies excluded from the contract, on the ground that they were not merely earned on the voyage, but represented, in many instances, recoupment of heavy capital expenditure. The Ministry, however, insisted on their inclusion in the accounts, all lump-sum subsidies being apportioned in respect of each voyage.

As regards ' off-pay ' the companies represented that, inasmuch as their whole fleets were being taken over as a going concern, it was reasonable that hire should continue during any period of temporary disablement ; but the Government would only agree to pay hire during a period of disablement caused by marine risks, when such disablement arose through circumstances attributable to a state of war, or when the time occupied by repairs was substantially prolonged through war conditions.

The question of war risks took longer to solve than any other. It was a part of the arrangement that the State should assume war risks on the liners as on other requisitioned vessels, but the Government desired to keep the machinery of the War Risks Associations in being, for the adjustment of claims and general

purposes of administration. It was arranged, therefore, that the lines should continue to insure their vessels, but that, as from 20th August 1917, the whole of the premiums received in respect of vessels entered in the associations, whether running under liner requisition or no, should be paid over to the State, by whom the whole liability was accepted.<sup>1</sup> This arrangement included the Excess Values Associations. The lines were unwilling to accept the payment of 'ascertained values', as on fully requisitioned ships, as an equivalent of the definite values for which they had hitherto insured, and the final agreement was that they should be permitted to insure up to a total value to be approved by the Shipping Controller ; but that, as the final decision as to insurable values rested in his hands, they should be permitted, in the event of loss, to claim *either* the actual insured value or the ascertained value at the date of loss. For the period from the date of requisition to 20th August, the owners were to debit the Government with all premiums actually paid (including an apportionment of time premiums) in respect of voyages on Government account. For this period also, they were to debit the appropriate proportion of any calls made by the associations in respect of their liabilities under the schemes.

These details having been satisfactorily adjusted, a meeting of the drafting committee of chairmen was held on 22nd August, at which the Heads of Arrangement were approved, and in September the Controller himself formally approved the arrangement, subject to agreement of values for war risks, and settlement of the form of auditor's certificate to accompany the voyage accounts. This certificate was settled during the next few weeks, and on 15th October a full meeting of the conference chairmen agreed, with one dissentient, to recommend signature by the lines they represented.

The one dissentient was Mr. R. D. Holt, whose company, the China Mutual Steam Navigation Company, had instituted proceedings against the Controller for the purpose of testing the whole validity of the Liner Requisition Scheme. On 15th November, the action of *China Mutual v. Maclay* came on before

<sup>1</sup> Compensation for the loss of fully requisitioned vessels continued to be paid by the State direct. The only vessels, other than those on liner requisition, affected by the new arrangements were the comparatively few 'free' ships.

Mr. Justice Bailhache, and the judgement pronounced in that case shattered at one blow the whole legal basis of the elaborate structure that had been so carefully raised.

It must be remembered that the whole scheme rested, legally, on the Requisitioning Letter originally sent out to the companies. The Heads of Arrangement, which had not yet been signed, related only to the details of its application. The plaintiff's case rested on the contention that the Requisitioning Letter purported to requisition not only the ships but the services of the owners and their staff, and that this went beyond the powers conferred on the Controller. Counsel for the Crown made little or no attempt to argue that he possessed the power of requisitioning services ; but contended that such part of the Requisitioning Letter as related to the running of the ships amounted merely to the expression of a hope that the owners would accept the scheme proposed, and was separable from the requisitioning clauses.

On every point the judge decided for the plaintiffs. He held that the Controller had no power to requisition the owners' services ; that the Requisitioning Letter did, in fact, purport to do so ; that the clauses requisitioning the ships must be construed in the light of the document as a whole ; that the letter was consequently *ultra vires* and all proceedings under it null and void.<sup>1</sup>

To the Ministry of Shipping this was a staggering blow. The whole scheme under which the liners had been running since May, and on which the Atlantic concentration—the pivot of the whole supply system of the country—mainly depended, had been pronounced to be without legal or constitutional warrant. Nothing but special retroactive legislation could rectify the position, and legislation giving the power to requisition services was not likely to go through without strong opposition.

The shipowners, however, had no intention of pressing their advantage ; they desired only recognition of the fact that their co-operation was voluntary and not enforced. In bringing the action, the China Mutual Company had performed an important public service, for while there was no desire to scrutinize too closely measures taken for the public safety, the tendency to over-ride constitutional principles by departmental decree had

<sup>1</sup> 1918, 1 K.B. 33, 34 *Times Law Reports*, 81.

become a serious menace to the liberties of the subject. This was their whole object. Mr. Holt himself had co-operated zealously in working out the Heads of Arrangement, and having obtained their verdict, the plaintiffs at once intimated their intention of waiving their rights under the judgement.<sup>1</sup> The other liner companies, without exception, followed their example. It was essential, however, that their assent should be formally signified, and on 17th November the Ministry of Shipping sent to each line a letter requisitioning their ships on Blue Book terms, 'subject to any agreed modifications', and requesting a formal assurance that the lines would co-operate in the management of the vessels on the terms already discussed. This assurance was willingly given, and as soon as the values of the ships for war risks purposes could be proved, the Heads of Arrangement were signed by the lines.

So ended these prolonged negotiations, the conduct of which reflected credit on the fairness and moderation displayed alike by the owners and by the representatives of the Ministry. Their result was of the highest importance. It secured that, not merely from the date of signature, but from the original date of requisition, the scheme of concentration on the shorter routes should have behind it the whole driving power of the lines, without which the ships would have been practically useless to the State. For the owners it entailed heavy responsibilities. The work of the Conference and Loading Committees was arduous and anxious; the rearrangement of services consequent on diversions to the Atlantic involved riding rough-shod over established customs and business connexions, and leaving large sections of the Eastern and other distant trades at the mercy of foreign competitors; the handling of the diverted ships increased enormously the burden on the managements of the Atlantic lines. On the other hand, the identity of the lines was preserved, and the arrangements for upkeep of their organizations was not only of the first importance to the recovery of trade after the war, but represented, especially to lines in the depleted trades, an immediate relief that outweighed all other considerations.

<sup>1</sup> See letters from Lord Inchcape and Mr. R. D. Holt in *The Times*, 18 and 20 November 1917.



## CHAPTER XV

### STATE SHIPBUILDING AND THE STANDARD SHIP

THE decision to build, buy, and run ships on Government account represented, as we have seen, a much more radical departure from precedent than the extension of requisitioning. There were, on the other hand, strong practical arguments for entrusting the Controller with the full responsibility for mercantile construction, whether or no this necessarily implied State ownership and operation of the vessels. Some new method of dealing with the shipbuilding problem was unquestionably required. Although the output of completed tonnage for the last quarter of 1916 showed a considerable improvement, the total for that year was about 100,000 tons below the 1915 level, and amounted to little more than one-third of the losses due to enemy action and marine perils. One main cause of the reduction was an increase in Admiralty demands, but the combined naval and mercantile output was far below the level of 1913, and in view of the rapid acceleration in the rate of loss, the 1913 figures themselves could no longer be regarded as an adequate standard.

Shortage of labour and shortage of steel were still the main obstacles to increased output. The attempt to get back skilled shipwrights and marine engineers from the Army had not been very successful, and the supply of steel presented even greater difficulties than the supply of labour. The Admiralty, the War Office, and above all the Ministry of Munitions, were all fiercely competing for material, and merchant shipbuilding received, in practice, only what was left over after other claims had been satisfied.

It was the hope of regulating effectively the competition for labour and material, and of securing for mercantile shipbuilding a reasonable priority, that formed the strongest argument for control. The shipowners subsequently contended that, had they

enjoyed during 1917 and 1918 the same facilities for obtaining execution of their orders as were enjoyed by the authorities, they would have secured better results than were achieved under the State programme; but this contention, whether well founded or no, begs the main question. The competing departmental demands were so powerful, and mercantile construction had so long been regarded as of secondary importance, that it is very doubtful whether the allocation necessary for increased output would ever have been obtained except by a strong department definitely responsible for building merchant ships.

This, however, was not the only consideration that weighed with the Government. A strict control of designs was regarded as desirable, in order to ensure the due subordination of commercial considerations to war requirements. This had already been secured to some extent by the system of 'Munition Certificates'; but the control now proposed was of a more positive character. The pressing necessity of the moment was the largest possible output, in the shortest possible time, of handy cargo-boats with large dead-weight capacity. Throughout 1916 the introduction of a 'Standard' ship had been widely advocated in the Press as a means of accelerating construction. The standard ship had, indeed, come to be regarded by many people who knew little of the real obstacles to increased output as a panacea for all shipbuilding difficulties. There was, nevertheless, a strong case for further standardization both of hulls and engines, and it was now decided that the new ships to be laid down on State account should be of standard type.

Standardization of engines was actually a more urgent matter than standardization of hulls. The marine engineering shops had been hit even harder than the shipyards by the withdrawal of skilled labour, and it was often not until many weeks after the launch of a ship that her engines could be delivered. It was, therefore, a matter of great importance to render engines for ships of the same class, so far as possible, interchangeable, in order that the first completed set might be fitted to the first completed hull.

Similar arguments applied to the standardization of hulls. Interchangeability of parts would enable material to be delivered to the builders in the priority of their respective immediate needs.

By adopting the simplest effective type of cargo carrier, and eliminating every detail that was not strictly essential, it would be possible to reduce the number of scantlings, and thus to use the limited plate-rolling facilities available to better advantage, by enabling larger parcels of material to be rolled to one pattern, entailing the fewest possible changes of roll at the mills. Finally, it was hoped that much time would be saved by centralized preparation of designs and specifications.

For these reasons, the Shipping Controller decided at the end of December 1916 to proceed at once with an extensive programme of standard ships on Government account, and all new contracts for private owners were accordingly prohibited. With regard to vessels already under construction, amounting to some 1,800,000 tons gross, it was decided to hurry on the completion of all tankers and meat ships, since the loss of these highly specialized vessels could only be made good by new construction, and to complete also all handy cargo boats that could be brought into service within six or eight months. Work on all other vessels was to be suspended.

The ships of which completion was permitted were to be for account of their original owners, and the practice of allowing 'free' voyages was at first continued. In order, however, to comply with the spirit of the new policy of universal requisition, the owner was obliged to refund to the Exchequer any surplus profit over and above the amount allowed as 'acceleration costs'; and later, in October 1917, a lump-sum payment in refund of such costs was substituted for the privileged voyages, the vessels being requisitioned on delivery by the builders.

As fast as ships were cleared off the stocks, they were to be replaced by standard vessels. Of these, five types were originally approved, and known as 'A', 'B', 'C', 'D', and 'E'. Type 'A' was a single-decked freighter with a gross tonnage of 5,030 and a dead-weight capacity of 8175 tons. 'B' was of identical dimensions and design, except that a second deck was provided at a cost of 100 tons carrying capacity. 'C' and 'D' were smaller ships of 3,000 and 2,300 tons gross respectively. 'E', a two-decked vessel midway in size between 'A' and 'C', proved unsatisfactory, and was speedily dropped. All five vessels were single screw steamers with horse-power sufficient to give them

a sea speed of  $11\frac{1}{2}$  knots,<sup>1</sup> and for the five classes only two sets of engines were required; one being fitted to 'A', 'B', and 'E'; the other to the two smaller types. In all the designs the utmost simplicity of construction was aimed at, and was so far achieved that the number of steel sections in a standard ship was reduced to eight or ten, as compared with thirty or forty in many ordinary vessels of similar size.

The Controller's programme was not launched without an abundance of press and departmental controversy. He had to endure a cross-fire from opponents of standardization and from those of its advocates who had their own ideas as to the designs that should be chosen. One party wanted 'mammoth' ships in order to concentrate protection; another desired a large number of small vessels in order to spread the risks. Believers in the 'unsinkable' ship urged a subdivision that would have greatly reduced the carrying capacity of the vessels. Writers in the shipping press denounced the accommodation provided for the crews as a concession to faddists and as setting an impossible standard.

Much of this criticism came from men who had little practical knowledge of the requirements of commerce. Much of it was inspired by a general distrust and dislike of State control. The whole problem of shipping had now become a battleground for the advocates of collectivism and individualism, and both sides were apt to overlook the requirements of the immediate situation in their zeal for their respective dogmas. Some critics of the standard programme certainly overlooked the fact that the Controller was himself a shipowner of experience, and could command the services of some of the ablest shipbuilders and designers in the country.

Even before the initiation of State shipbuilding, the North-East Coast Institution of Engineers and Shipbuilders had taken into consideration the question of standard specifications for cargo ship engines, and during the summer of 1917 the British

<sup>1</sup> As originally designed, types 'A' and 'B' had a dead-weight capacity of 8,500 tons and a speed of only 10 knots; but before any of them had been even begun, the speed was raised, first to  $10\frac{1}{2}$ , then to 11, and finally to  $11\frac{1}{2}$  knots, in response to Admiralty representations. This was achieved by reducing the block coefficient from .78 to .76, with a consequent reduction to the dead-weight tonnage shown in the text, and by substituting forced for natural draught and a bronze for a steel propeller.



Marine Engineering Design and Construction Committee was formed, under the auspices of the Institution of Naval Architects, the various marine engineering associations, and the great classification societies, for the purpose of evolving standards more suitable for permanent adoption than those of the emergency programme. Permanent standardization of hulls presented greater difficulties, owing to the varying requirements of the different trades; but the Committee on Shipping and Shipbuilding after the War were strongly of opinion that the process could, even in time of peace, be carried somewhat farther than before the war.<sup>1</sup>

It is now generally admitted that much of the criticism directed against the standard designs was unjust. Inevitably, those designs represented a compromise. They had to comply as far as possible with the requirements of defence, of commerce, and of rapidity in construction. Tried by this combined test, the standard ships come well out of the ordeal. They could be built, in favourable circumstances, in six or seven months; they met the main Admiralty requirements in respect of speed, subdivision, and equipment, and they were commercially successful. Their extreme simplification of design and the small number of types inevitably prevented that differentiation which is normally sought by an owner ordering a ship with a view to employment in a particular trade, and complete standardization has failed to establish itself as a permanent principle in shipbuilding, the reduction in initial cost being outweighed by the superior efficiency and economy arising from specialization. For general purposes, however, the standard steamer proved a good, serviceable cargo-boat, seaworthy, moderately fast, handy to work, and reasonably economical. On the testimony of owners who managed them during the war, or subsequently acquired them, the standard ships represented a very fair compromise between commercial requirements and the exigencies of an emergency programme. They have not been without influence on subsequent construction, both in showing the possibilities of greater simplification of design, without loss of efficiency, and in proving that a higher standard of

<sup>1</sup> *The Times Engineering Supplement*, 26 January 1917; *Engineer*, 7 September 1917; Cd. 9192, p. 33.

crew accommodation was compatible with large carrying capacity and reasonable cost.

Even at the time, there were many shipowners who recognized both the advantages of standardization as a war measure, and the merit of the actual designs ; but this attitude did not necessarily imply full approval of the Government programme. There were already many yards turning out 'repeat' ships—both cargo liners and tramps—of a type eminently suitable for war purposes, and it was argued that better results would be obtained by allowing some, at least, of these yards to continue work on their accustomed lines, than by enforcing a rigid scheme of universal standardization. Such 'repeat' ships would unquestionably be better suited to the requirements of certain trades ; and against the additional simplification of design and interchangeability of parts in the standard ships, could be set the incalculable advantages of allowing the builders to work on plans and specifications which were already in existence and with which their employees were thoroughly familiar. It was urged also that the standard programme should not be pushed at the expense of ships already under construction, with the exception of those, such as the larger passenger liners, which were manifestly unsuited to immediate requirements.<sup>1</sup>

In arguing for 'repeat' ships and for completion of ships under construction, the shipowners were, no doubt, influenced by their own interest in delivery of the vessels ; but they had strong reasons for claiming that their proposals were also in the interest of the nation as a whole. In view of the average time actually taken to construct the standard ships, and the number of types eventually found to be necessary, it is probable that there would have been no loss of time, and possibly a gain, in allowing some yards to work on their own approved specifications. This argument receives additional force from the fact that the first result of the standard programme was admittedly to delay the output of new tonnage, owing to the necessary changes in organization and equipment.<sup>2</sup> With regard to ships on the stocks, it is worth

<sup>1</sup> See e.g. *Chamber of Shipping, Report of Annual Meeting*, March 1917, pp. 25-7, 51-3; *Liverpool Steam Ship Owners' Association, Report for 1917*, pp. 19-21 ; for 1918, p. 17.

<sup>2</sup> Sir Eustace d'Eyncourt, Chief Constructor to the Admiralty, at the Institute of Naval Architects, *Daily Telegraph*, 21 March 1918.

noting that the large output attained in some of the early months of 1918 was due to the decision to complete, for American trooping, a number of large vessels laid down before and shortly after the outbreak of war, but on which work had long been suspended. It is true that these ships were not of the types regarded as most desirable in 1917; but for war purposes any ship that could be completed in a few months had a greater value than the most desirable vessel which might only take the water after the last shot was fired.

Whatever the merits or demerits of his programme, the Controller was not long left in charge of its execution. The tonnage position was still steadily deteriorating. Heavy as were the losses suffered during the last three months of 1916, they were far surpassed by the frightful havoc which succeeded the outbreak of the 'unrestricted' submarine campaign in the following year. The climax was reached in April, when the war losses of British shipping amounted to 545,000 tons gross, bringing up the total, since 1st February, the opening day of unrestricted warfare, to over 1,200,000 tons. This loss, sustained in three months, was actually equal to the Controller's estimate of the largest output for which he could venture to hope in the whole year, and since the Admiralty held out little hope of a substantial reduction in the rate of loss, the outlook appeared to be almost desperate, unless a great acceleration of construction could be achieved. Much, indeed, was hoped from the programme of State purchase abroad, but it was obvious that every ton that could be turned out at home would be urgently needed, and in the hope of solving once for all the problem presented by conflicting claims to labour and material, the Government decided, in May, to transfer the control of merchant shipbuilding to the Admiralty. The old post of Navy Controller was revived, and Sir Eric Geddes was appointed to it,<sup>1</sup> with full authority over both naval and mercantile construction, except that the Shipping Controller was to remain responsible for approving standard designs and the ratio in which orders were distributed among them. It was thus hoped 'to provide the Admiralty with an organization comparable to that which has provided the Army with munitions . . . to develop and

<sup>1</sup> He was succeeded in July by Sir Alan Anderson.



use to the best advantage the whole shipbuilding resources of the country'.

A great organization, at any rate, was built up. Sir Joseph Maclay had been satisfied with a modest administrative staff of about thirty, relying for the technical supervision of the programme on the assistance freely rendered not only by the Marine Department of the Board of Trade but by the great classification societies. The new policy involved a much more direct and centralized control. Major-General C. S. Collard, R.E., was appointed as Deputy Controller of Auxiliary Shipbuilding (including mercantile construction), and his staff, organized in thirteen Directorates, swelled ultimately to about 600. His programme, as eventually worked out, was for 1,566,000 tons in 1917, 2,300,000 tons in 1918, and an ultimate output at the rate of 3,000,000 tons a year. Some rather incautious references in official speeches led to a general belief in the country that a 3,000,000-ton output was actually in sight.

Unfortunately a great part of this programme never got beyond the paper stage. The truth was that the problem was not one of organization, but of men and material. Had labour and steel been available in 1915 or 1916, when the shipping boom was at its height and owners were clamouring for tonnage, the crisis of 1917 would have been much less acute. Had sufficient men and steel been available in 1917, that crisis could have been faced with much less anxiety. But it was now too late for any rapid readjustment of the allocation of resources. Thousands of skilled workers were in the Army and could not be got out without great difficulty. The War Office, the Ministry of Munitions, and the Allies had claims on the output of steel that they could not, or would not, reduce.

In January 1917, immediately after the appointment of the Shipping Controller, the Government took steps to prevent further depletion of the labour supply, by exempting from military service all men employed in shipbuilding yards and marine engineering works prior to 29th March of that year. Later, this exemption was extended to all men so employed on or before 15th July; but this only prevented a further depletion of the skilled labour available; it did nothing to increase it. All efforts



made to procure the release of men from the Army proved unsuccessful. There were real difficulties in tracing and bringing home even the small number whose release had been decided on in 1916, and these difficulties were not diminished by the attitude of the military authorities, always anxious as to their own position with regard to man-power.

There were three ways by which it was hoped to increase the effective capacity of the labour available; by dilution with unskilled workers, by the introduction of mechanical devices such as pneumatic riveting, and by the adoption of payment by results. Negotiations with the Unions for payment by results, with local option as to the adoption of the piece-work or the premium bonus system, began early in 1917, but progress was exceedingly slow. The opposition of the great bulk of organized labour both to dilution and to payment by results was deep-rooted, and as some employers admitted, had its justification in much experience of rate-cutting. Moreover, the Unions were able to argue, very forcibly, that so long as the supply of steel for shipbuilding remained inadequate, adoption of the proposals was likely to lead to periods of acute unemployment, without increasing the total annual output.

By the autumn of 1917, owing in part to the completion of certain commitments to the Allies, in part to a larger steel output, the position as regards steel became much easier; but this only brought the labour difficulties to a head. The Unions now declared that they would maintain their opposition until all skilled workers in the forces at home or overseas had been returned to their former employment. In November the Navy Controller was pressing the Government for the release of 20,000 skilled workers, and in January 1918 the necessary instructions were actually given; but the German spring offensive rendered it impossible for them to be carried out, and in the meantime the labour situation had taken a turn for the worse. All through the year labour unrest, arising from high prices, war-weariness, and a widespread dissatisfaction with many of the provisions of the Munitions Acts and the Defence of the Realm Regulations, had been growing in volume and intensity, and it would have been contrary to all precedent if this unrest had left the shipyards unaffected.

Disputes arising out of the  $12\frac{1}{2}$  per cent. bonus to time-workers were immediately responsible for a three-weeks' strike of piece-workers in January 1918; but the strike probably cost the country much less in tonnage than the slackness and friction constantly arising from simmering discontent.

The labour situation in the shipyards was too closely connected with the general question of industrial unrest, and more particularly with the working of the Munitions Acts, to be analysed here in any detail. Both the Unions and the employers, however, contended that much of the trouble arose from overlapping between the authorities—the Shipyard Labour Department at the Admiralty, the Labour Department of the Ministry of Munitions, the Ministry of National Service, the War Cabinet Labour Department, and the Ministry of Labour. The Shipbuilding Employers' Federation and the Shipyard Trade Unions accordingly proposed, in November 1917, that the Ministry of National Service should alone be responsible for the supply and distribution of shipyard labour; that the Ministry of Labour should assume sole responsibility for all other questions, such as wage disputes, and that a joint committee of employers' and workmen's representatives should be created to advise the Ministries and assist in working out schemes for better utilization of labour, and in the settlement of disputes. On 22nd November, a joint deputation on the subject was warmly received by the Prime Minister; but although the proposed joint committee was actually set up by the Federation and the Trade Unions, little or no use was made of its services.<sup>1</sup>

One additional source of labour remained untapped. There were in Great Britain many thousands of German prisoners of war, and early in 1917 General Collard conceived the idea that it might be possible, by providing a judicious leaven of skilled labour, to turn their presence to account. It was generally agreed that these men could not be employed in the private yards alongside British labour, and General Collard therefore proposed that State yards should be established in which they could be employed on the building, or rather the erection, of fabricated ships.

The fabricated ship represented a still more extreme form of

<sup>1</sup> *The Times*, 13 March 1918; *Engineering*, 15 March 1918.

simplification than the ordinary standard design. She was to be a mere box with engines, composed of steel parts that could be turned out, not in the shipyards, but in ordinary bridge-building and constructional engineering works, and assembled, with a minimum of skilled supervision, by untrained labour. It was necessary, therefore, that the National Shipyards should be established in close proximity to big constructional steel works, and in order to avoid labour troubles it was desirable that they should be remote from the chief shipbuilding centres. The site finally chosen was the Bristol Channel, where it was proposed to establish yards at Chepstow, Beachley, and Portbury, with a total of forty-one slips, including seven taken over from the Standard Shipbuilding Co., who had purchased a small yard at Chepstow in 1916.

This scheme was approved by the Government on 9th August, and during September the preliminary work at Chepstow was begun. It attracted, naturally, the attention of the private builders, many of whom were already committed to an extension of their works.

So early as April 1917 the Shipping Controller had circularized the shipbuilders urging them to extend their slips and plant, and many of them had responded to his appeal. The costs, however, were exceedingly high, and in view of the uncertainty as to the prospects of the industry after the war, the majority of the builders hesitated to sink any large amount of capital in extensions without some kind of financial guarantee. The first idea was to arrange with the Inland Revenue Authorities to permit the retention of excess profits for this purpose; but in July it was decided, in order to avoid delays, to sanction direct grants in aid of approved schemes. A large number of extensions both to shipyards and marine engineering works were put in hand under this arrangement, and many other extensions, in respect of which no grants were paid, received the necessary sanction as 'war-work'.

When it became known that the Government were about to embark on the construction of national shipyards, the builders were, not unnaturally, alarmed lest the new scheme should entail the diversion of steel and labour from their own establishments to the State yards, and during October a deputation waited on the



Prime Minister to 'receive enlightenment' on the subject. At this interview the builders claimed that, if facilities were granted, they could lay down 100 additional slips, many of which could be worked with little addition to their existing plant and organization, and could increase by 75 per cent. the output of their yards. Before leaving they received a definite pledge that no steel or labour (except prisoners) should be allocated to the national yards until the requirements of the existing yards for shipbuilding and extensions had been fully met.

In pressing for this pledge it cannot be said that the shipbuilders were subordinating national to private interests. They may or may not have been influenced by the fear of State competition after the war—it is doubtful whether they took the scheme sufficiently seriously to feel any great alarm—but priority for the existing yards was, in the circumstances, an urgent national necessity. Before a keel could be laid in the national yards, a vast amount of preliminary work was necessary. Slips and plant had to be erected, roads, railways, electric power, and water supply to be provided, accommodation for the workers to be built. In the most favourable circumstances General Collard did not venture to hope for any actual launchings before November 1918, and long before that date the war might be lost, unless the existing shipbuilding facilities of the country were utilized to the full. It was necessary, in a war of attrition, to take long views; but it was still more necessary to replace, so far as possible, the current losses.

Moreover, the shipbuilders had some very pertinent criticisms to offer. They pointed out that the whole scheme for utilizing German labour was based on the provision of a skilled nucleus which could only be obtained by an agreement with the Trade Unions concerned, and an additional possibility of friction arose from the fact that ship repairers' wages were higher than shipbuilders', and it was now proposed to establish a great shipbuilding organization in a ship-repairing centre. They strongly urged, therefore, that before committing themselves too deeply to the scheme, the Government should consult, and obtain an agreement with, the Unions affected.

In the meantime losses continued at a rate only slightly below the high-water mark of April, and the requisition by the American



Government of some 160 steamers ordered in the United States had put an end to any great hopes of relief from oversea construction. It was, therefore, necessary to utilize every possible resource, and it was decided to press on both with the equipment of the national yards and with the original standard programme.

The execution of that programme had been somewhat interfered with by the oil fuel crisis of 1917, arising, in part at least, from the heavy losses of tanker tonnage. In August the design of a standard tanker, 'ZO', was approved, and it was also decided to convert into oil-carriers a number of 'A' freighters already under construction. This process of conversion gave a supply of new tankers more quickly than could have been obtained from new ships alone; but it delayed by an average of nearly five months the completion of the converted vessels.

Two or three other additions were also made to the original list of types, and in these, some concession was made to the demands of the liner companies, whose requirements were not met by the simple dead-weight carriers of the earlier designs. Apart from the question of the recovery of trade after the war, it was necessary, even for war purposes, to make some provision for replacing the heavy losses among cargo liners, and in August 1917 a new type, 'G', was introduced for this purpose. This was a twin screw, 13-knot vessel of 8,000 tons gross, provided with insulated space for the carriage of frozen meat. In the same month a big 12-knot, two-deck freighter of 6,440 tons gross and 10,795 tons capacity, originally designed by Messrs. J. & L. Thompson & Sons of Sunderland, was approved of as type 'F'.

The introduction of the 'G' ships did not, however, wholly satisfy the liner companies, and in October 1917 the Liverpool Steam Ship Owners' Association presented a memorandum to the Controller, urging that they should themselves be allowed to make some provision for replacing their losses. In this memorandum they stated that out of 908 liners entered in the Association on 5th August 1914, 41 had been sold, mostly to the Government, and 264 lost by war or marine perils. To replace the lost ships 36 had been purchased, and 95 added by new construction, leaving a net deficit of 174 vessels, or nearly 20 per cent., of the original fleet; moreover, few of the purchased ships were of liner type.

They fully recognized the necessity of postponing the construction of ships intended primarily for the passenger traffic, but urged that the liner class of cargo carrier was of the highest value in war, and would be absolutely essential after the war, especially in the recovery of the export trade. Many of the cargo liner types had been standardized for years, and the yards which supplied them were in a position to proceed at once on specifications with which they were thoroughly familiar.<sup>1</sup>

To this appeal the Controller turned a deaf ear, for the Government were now fully committed to the prohibition of private construction, so far as the laying down of new vessels was concerned. It was found, however, that certain builders had already laid down, without authority, ships complying with the requirements of the lines, and in December four such ships—three shelter-deck vessels of 5,680 tons gross, and a 'tween-deck vessel of 4,600 tons—were sanctioned as types 'J' and F<sup>1</sup>', respectively, of the State programme. Later, in March 1918, it was discovered that further ships of both types had been laid down, and, while reprobating this unauthorized departure from the programme, the Controller sanctioned their construction, up to a dozen of each type.

In addition to these unorthodox vessels, official designs for five types of coasting steamer were approved in October 1917, and type 'H', an improved edition of 'D', was introduced in December, in compliance with Admiralty requirements. At about the same time the first steps were taken in a programme of concrete construction. Experiments in shipbuilding with reinforced concrete as the chief material had already been made in the United States, Norway, and Italy, and though these experiments had not yet proceeded far enough to warrant the application of the method to ocean-going ships, it was urged, especially by the Ministry of Munitions, that it might profitably be tried in the construction of small craft; the chief arguments in favour of concrete being economy of cost, economy of steel, and economy of skilled labour as compared with ordinary vessels. Eight small yards were accordingly adapted for the purpose, and orders were placed for a dozen colliers and oilers, and 197 small craft—tugs, seaplane

<sup>1</sup> This memorandum is printed as Appendix B to the final report of the Committee on Shipping after the War, Cd. 9092, pp. 135-8.

lighters, and sea-going barges. The advantages claimed for concrete proved, however, to be illusory. More skilled labour was needed than had been supposed; the actual cost per ton was nearly twice the original estimate, and 50 per cent. above that of steel vessels of the same type.<sup>1</sup> Progress was very slow, and out of the 209 vessels for which contracts had been placed, only one 1,000 ton barge had been completed by the end of the war.

It will be seen that by December 1917 a wide departure had been made from the pristine simplicity of the standard programme. Including oilers, a dozen types of sea-going ships had now been passed, without including the fabricated vessels, the coasters, and the small craft of the concrete programme. It cannot be said that any of the additions were made without due cause—the requirements of trade are too varied to be met without differentiation in the ships by which it is served—but the necessity of these additions goes a long way to confirm the view of those who urged the desirability of allowing some, at least, of the yards accustomed to turn out repeat ships to proceed with their construction.

The execution of the programme lagged a long way behind schedule time. In addition to steel and labour difficulties, and the delays caused by the conversion of freighters to oilers, there was a serious obstacle to progress in the enormous increase of repair work arising from the intensive submarine campaign, and the total output for 1917 amounted only to 1,163,000 tons, 400,000 below the Admiralty forecast, and a remarkably exact justification of Sir Joseph Maclay's more modest estimate.

During the winter of 1917–18, as we have seen, labour troubles were at their worst, and it became necessary to cut down the programme for 1918 to 1,800,000 instead of 2,300,000 tons. The shipbuilders' warnings with regard to the national yards proved to be fully justified, for progress was continually interrupted by labour troubles, and though a vast amount of preliminary constructional work was done before the end of the war, only three keels had actually been laid by the date of the Armistice.

In the meantime, a further change had been made in the administrative control. In May 1918, when, owing to the effect

<sup>1</sup> 1,000 ton concrete barge; estimated cost £14 per ton, actual cost £27 10s. per ton; steel barge of same type, £17 to £18 per ton.

of the German offensive, steel and labour difficulties were at their worst, the Government decided on the experiment of placing an experienced shipbuilder at the head of affairs, and the entire department of the Deputy Controller of Auxiliary Shipbuilding was transferred to Lord Pirrie with the title of Controller-General of Merchant Shipbuilding, a seat on the Board of Admiralty, and the right of direct access to the Cabinet. Under his régime the priority promised to the existing shipyards, in respect of materials, was strictly adhered to ; indeed a certain amount of material was actually diverted from the national yards to private builders who could turn it to more immediate account ; the idea of using prisoner and military labour at the national yards was given up, and the number of new slips reduced from 34 to 14. The scarcity of labour also rendered it necessary to limit the grants made for extensions to private yards, and from July 1918 no further grants were sanctioned except for comparatively small additions and for pressing on a comprehensive scheme of installations for pneumatic riveting, the Union's objections to which Lord Pirrie had succeeded in overcoming.<sup>1</sup> On the other hand, considerable progress was made in clearing off vessels that had long been under construction, including a number of big liners that could be used for American trooping.

The final result was an output for 1918 of 1,600,000 tons, an improvement of nearly 50 per cent. on the previous year, but about 700,000 tons below the Navy Controller's original estimate. Of the various new standard types very few became available during the war. Indeed, of 181 standard ships completed by 31st December 1918, 128 belonged to the original types 'A', 'B', 'C', and 'D', and 26 were oilers converted from those models. Of the 2,750,000 tons built in the two years 1917-18, standard ships accounted for 804,000 tons ; the remainder was composed of vessels under construction at the beginning of 1917, and built on private account.

<sup>1</sup> See his statement in *The Times*, 7 December 1918.



## CHAPTER XVI

### WAGES AND CONDITIONS AFLOAT

THE control of services and acceleration of new construction were not the only questions with which the Shipping Controller had to deal during his first year of office. The manning problem during 1917 became really acute, and special interest attaches to the means by which it was ultimately solved, inasmuch as they left a more permanent mark on the Mercantile Marine than the majority of the measures adopted to meet war emergencies.

By December 1916 the wages of seamen on monthly articles had risen, including war bonus, to 160s. or 180s. a month, representing an increase of from 40 to 60 per cent. on the rates current in August 1914. Even at these rates, however, it was frequently very difficult for ships to obtain full crews. The reduction in mercantile tonnage due to war losses had been more than offset by the immense expansion of the Navy and the Auxiliary Patrol, and the supply of new seamen was seriously affected by military recruiting, and by the growing demand for youths to take the place, in the shore industries, of men withdrawn for military service or munitions work. It was alleged also that the effect of increased wages was a tendency for sailors to spend a longer time ashore between one voyage and another, and so to reduce the numbers actually available at the ports.

The pay of officers had also been considerably increased, though not to the same extent as that of the lower-deck ratings ; but the question of supply caused acute anxiety. The chief cause of trouble was the competition of the Royal Navy, whose demands were continually expanding. The attraction of adventure and the possibilities of independent command in auxiliary vessels drew many junior officers away from the trading to the fighting service.

With the object of securing a steady supply of men for Commissioned Auxiliaries and ships on transport service, an Admiralty Manning Committee was set up in December 1916. Its task, however, was rendered hopeless from the start by the terms of reference, which provided for engagement at fixed rates of pay for the period of the war, the introduction of naval discipline

on transports, and the right to transfer men from one ship to another. No scheme on this basis had any chance of acceptance. It was not much use asking the men to accept rates fixed for the duration of the war unless the cost of living could be similarly fixed; and the introduction of the right of transfer and of naval discipline on non-commissioned ships were the twin rocks on which every previous proposal had split. The Committee themselves appear to have realized the hopelessness of putting forward such a scheme for voluntary acceptance, and reported, in April 1917, in favour of a system of modified conscription, by enrolment.

In view of the suspicion created by past negotiations, and the inextricable entanglement of the war and commercial services, such a scheme was certain to be fiercely resented, and the Controller wisely decided against conscription in any shape or form. It was obvious, however, that something must be done to solve the manning problem. The appalling losses of shipping during the first few months of unrestricted submarine warfare had no effect in deterring British seamen from sailing; but they led, naturally enough, to a demand for further wage advances to compensate for the increased risks, and by May 1917 the level of wages at some ports had risen to as much as 200s. a month.<sup>1</sup> Under the Blue Book and Liner Requisition terms, the bulk of the financial burden involved in these advances now fell on the State, and there was no appearance of any finality being

<sup>1</sup> In reply to an allegation in the House of Commons that the pay of seamen and stewards had not been raised in consequence of the risk they were running, a shipowner published the following figures of wages actually paid on a cargo vessel of 4,000 tons gross.

	1914			July 1917		
	Per month			Per month		
	£	s.	d.	£	s.	d.
Master . . .	22	0	0	30	0	0
Chief mate . . .	12	10	0	17	0	0
2nd mate . . .	9	10	0	14	0	0
Steward . . .	7	10	0	13	0	0
Cook . . .	6	10	0	12	0	0
M.R.S. . . .	3	7	6	6	10	0
Boatswain . . .	6	5	0	10	0	0
Able seaman . . .	5	10	0	9	0	0
Chief engineer . . .	20	0	0	26	10	0
2nd engineer . . .	13	0	0	17	0	0
3rd engineer . . .	9	0	0	13	0	0
4th engineer . . .	7	0	0	11	0	0
Donkeyman . . .	6	5	0	10	0	0
Fireman . . .	5	10	0	9	0	0
Assistant cook . . .	—			4	10	0

reached in the liability thus incurred. In the absence of any effective machinery for collective bargaining, every advance conceded in order to secure a crew for a particular vessel led to a fresh general demand, and the attempt to resist such demands was responsible, during the spring and summer of 1917, for frequent interference with sailings.

The fact is that, despite the increase of wages, the merchant service was thoroughly discontented. As was recognized in the action subsequently taken, the men had genuine and substantial grievances, and the absence of any adequate machinery for discussion led to other grievances being nursed which fuller knowledge might have shown to be imaginary or exaggerated.

It added greatly to the feeling of bitterness among the men that many of their specific complaints related to the treatment of those who had suffered most from the new dangers to which merchant seamen were exposed. It is necessary, therefore, to glance for a moment at what had been done for the victims of war perils.

The problem of war-risks compensation first arose in connexion with crews interned on the outbreak of war, or taken prisoner in ships captured by the enemy's surface cruisers. Whether the shipowners were under any legal liability in these cases was doubtful, and it was subsequently decided that they were not; but they felt themselves under a moral obligation to do something for the dependants of such men, and the War Risks Associations accordingly obtained from the Government power to pay out of their premium income an allowance of half wages, or £1 a week, whichever was less, to the dependants of internees and prisoners of war, including the crews of ships locked in the Baltic. As the cost of living rose, this allowance became, in many instances, manifestly insufficient, and in December 1916 the Associations obtained sanction for payment of pensions and allowances on the same scale as those granted to widows and orphans under the Admiralty scheme for Fleet Auxiliaries.<sup>1</sup>

<sup>1</sup> By this arrangement the Government contributed 80 per cent. and the Associations 20 per cent. of the total cost; but it must be remembered that the Government contribution came out of their 80 per cent. share of the premiums paid by shipowners under the State Insurance Scheme. The Associations bore the cost of administration. See *Text of Agreements made between His Majesty's Government and the War Risks Associations*, Cd. 7838, pp. 27-8, and the *Report of the Liverpool and London War Risks Association for the year ending 19 February 1919*, pp. 23-4.

The benefits of this scale had been extended, by Order in Council of February 1915, to the dependants of all seamen killed or disabled by war risks while serving in British trading vessels, with the proviso that any sums for which the shipowners were liable under the Workmen's Compensation Act should be applied in part satisfaction of the pensions and allowances under the Admiralty scale. Under this scale the widow's pension was fixed at one-third of her late husband's pay, including victualling allowance, with a minimum of £26. For each child up to the age of sixteen, to the total of four, an additional allowance was payable, at the rate of one-twenty-fourth pay, with a minimum of £6 10s. Amounts awarded under the Compensation Act were paid into Court as a lump sum and applied, under direction of the County Court Judge, for the benefit of the widow, either in purchase of an annuity or in other ways. The amount of the annuity which could be purchased for such lump sum was deducted from the pension and allowance payable under the scale.

Experience soon showed that great hardship was caused by delays in the assessment of claims and in determining the cause of death as a war risk. The War Risks Associations accordingly arranged, in May 1915, to take over the whole administration of the scheme, and assumed responsibility for the payment out of their premium income of the full amount of compensation, whether under the Workmen's Compensation Act or under the Admiralty Scale, with power to make interim advances, pending final assessment. There were, however, a number of vessels, more particularly coasters and, latterly, State-owned ships, that were not entered in any Association, and at the request of the Board of Trade, the Liverpool and London Association undertook the administration of the scheme in respect of men employed in all such ships. No charge was made by any of the Associations for their services under the scheme, which included not merely the investigation and payment of claims, but all necessary arrangements for medical attention to injured men, treatment in sanatoria, and the like.<sup>1</sup>

The rate of wages on which the whole scale was based was that

<sup>1</sup> In addition, the Liverpool and London Association raised among their members a sum of over £35,000 to be applied to the education and advancement of the children of officers who had lost their lives on ships entered in the Association.



commonly in force in 1914, and like the original payments to dependants of internees, the pensions and allowances became inadequate as the cost of living rose. Attention was called to this point at the annual meeting of the Chamber of Shipping in March 1917,<sup>1</sup> and in the following month the minimum pension for a widow was raised to £35 15s. and the minimum allowance for a single child to £13. At the same time all restriction on the number of children for whom an allowance might be claimed was removed, the minimum for four children being fixed at £39, with £6 10s. for each additional child.<sup>2</sup>

While it could not be said to err on the side of generosity, this scheme represented a considerable drain on the Exchequer, and conferred on the officers and men of the Mercantile Marine a substantial benefit for which there was no previous precedent. What the men complained of most bitterly was that no adequate provision was made to redress the hardships suffered by the survivors of torpedoed ships. Nothing rankled more than the fact that the old rule, by which wages ceased with the loss of a ship, was applied to war casualties. Only a comparatively few companies paid an additional month's wages to cover the period during which the survivors were seeking another vessel, and though some provision for immediate relief was made under the 'distressed seamen' clauses of the Merchant Shipping Acts, the men felt that they were hardly treated, especially when, as often happened, all their effects had gone down with the ship. It is true that, in March 1915, arrangements had been made to enable officers and

<sup>1</sup> *Report of Proceedings*, p. 50.

<sup>2</sup> The following examples show the working of the scale:

(a) Officer, pay £18 a month, plus 3s. a day victualling allowance = £270 (not covered by Workmen's Compensation Act): Pension  $\pounds 2\frac{2}{3}$  = £90.

(b) Officer, pay £10 a month, plus 3s. victualling allowance = £174. Pension  $\pounds 1\frac{1}{3}$  = £58.

Annuity purchasable with £300 payable under Compensation Act, £15 12s. 2d.

Actual payment, £300 down and pension £42 7s. 10d. a year.

(c) Seaman, pay 110s. a month, plus 1s. 6d. victualling allowance = £93. Pension, minimum, £35 15s.

Actual payment, £300 down, and pension £20 2s. 10d. a year.

Children's allowances were additional in each instance: thus the actual pension received by a seaman's widow with four children would be £61 10s.; with five children, £68, in addition to the £300 down or the annuity purchasable therewith. Down to February 1919, the total amount paid under the Workmen's Compensation Act exceeded £1,500,000, and the additional payments in pensions and allowances under the Admiralty Scale, after crediting the above sum, amounted to about £350,000 a year. (See Cmd. 98, p. 10).

men to insure their effects, at a low premium, through the War Risks Associations ;<sup>1</sup> but the maximum insurable value for a seaman was fixed at £5, and with the advance in prices, this became insufficient for the replacement of kit.

Another very genuine grievance was the expense to which men were put in travelling to their home ports from the ports to which ships had been diverted in order to avoid submarine danger areas, to discharge Government cargo, or to facilitate convoy arrangements. Such diversions became very frequent from the autumn of 1916 onwards, and a man who had been engaged at his home port of London might find himself discharged at Hull or Liverpool, with a heavy railway fare to pay before he could see his family.

In the aggregate, these specific grievances were responsible for a great deal of justifiable discontent ; but behind them all lay the old demands for a national wage, and for such regulation of the supply of seamen as the men considered essential for the security of their economic position. The question of Chinese labour afloat was still giving trouble. The number of Chinamen engaged in Mercantile Marine Offices in the United Kingdom had sunk from 14,224 in 1915 to 11,598 in 1916,<sup>2</sup> but even so, it exceeded by 3,400 the number engaged in the last year of peace, and in view of the continual wage disputes and the friction with the Transport Department over terms of engagement, there was an ineradicable suspicion in the minds of the men that all talk of a shortage of seamen was a mere cloak to cover the introduction of cheap alien labour for strike-breaking purposes.

This allegation of a general conspiracy by the Transport Authorities and the shipowners cannot be substantiated. The total supply of seamen might be adequate, if barely adequate ; but there were frequent local shortages, and in order to enable ships to sail promptly, it was often necessary to sign on such men as were available, irrespective of colour. The position was complicated, too, by the diversion from the Eastern services to the Atlantic of ships on which many Chinese and Lascars were already employed. These men could not, in fairness, be discharged, if they were willing to sign on for the new voyage, and there was

<sup>1</sup> *Manual of Emergency Legislation, Supplement No. 3*, p. 467. The premiums were at first 2 per cent. for six months, later 2 per cent. for twelve months. Cmd. 98, p. 9.

<sup>2</sup> These figures, of course, include re-engagements.

nothing in the conduct of Asiatic sailors and firemen, in face of war dangers, to warrant discrimination against them. There was truth and justice in the emphatic repudiation by several prominent shipowners of the aspersions cast on the Oriental sailor.<sup>1</sup>

On the other hand, it is easy to understand the men's suspicions. While the wages of white seamen varied, in May 1917, from 170s. to 200s. a month, those of a Chinaman were only 120s. to 130s. As already explained, this discrepancy was not necessarily, or usually, reflected in the total wages bill; but it naturally excited comment, and apart from the question of current wages, there was the undoubted fact that the Chinese were likely to prove more malleable in future negotiations than the members of the Unions. The fact that wages on board the majority of ships were now for account of the Government rather than the owner did little to remove the suspicions entertained; for it was the desire of the Authorities to stabilize wages and enforce their own conditions that was now regarded as the greatest danger.

This idea that the introduction of Asiatic labour was desired for strike-breaking purposes must be considered in connexion with the very dangerous developments that arose during 1917 from the discrepancy between British and American wages. While the top level of British wages in May was 200s. a month, Atlantic wages in vessels under the American flag amounted, inclusive of war-zone bonus, to \$90, say 360s. The result was seen in numerous desertions at United States ports.

In almost all countries it was a long-established custom, confirmed by treaties, to regard the crews of foreign ships, while in port, as under the law of their own flag, and to hand over deserters to the Consular representatives of their own country; but the 'La Folette' Law of March 1915 gave American seamen the 'right to quit' in any port, without suffering legal penalties. Further, the seaman was entitled, on arrival in port, to demand payment of half the wages already earned, and if such demand were refused, to quit the ship and sue for the full amount due, without any forfeiture of wages as a deserter. The operation of this Act was extended, as from 4th March 1916, to all foreign seamen arriving

<sup>1</sup> e. g. Mr. Cuthbert Laws, at the Annual Meetings of the Chamber of Shipping. See *Reports of Proceedings*, 1917, pp. 47-9; 1919, pp. 129-30.



in American ports, the existing treaties providing for reciprocal arrest and handing over of deserters having been previously abrogated. Thus a British seaman who had signed on for a round voyage became entitled, under American law, to cancel his contract on the first arrival of his ship at an American port.

So long as the United States remained neutral, the patriotism of the seamen prevented desertions from becoming numerous; but when America entered the war, many of them were inclined to argue that this consideration no longer applied, as the cause of the Allies was all one, and there was nothing to prevent their taking advantage of the higher wages in American ships.<sup>1</sup> During the spring and summer of 1917 desertions became alarmingly frequent, not so much among the regular hands of the Atlantic liners as among the men signed on at the last moment in order to complete the crews. The places of the deserters had to be filled, to enable the ship to sail on her return voyage, with men signed on at the American rates. Many of these highly-paid substitutes were of poor quality, and the old hands complained that they were not only compelled to work alongside men receiving far higher wages, but to put in extra work to make good their inefficiency.<sup>2</sup>

On their return to British ports the deserters became, of course, amenable to British law, and on some of these sentences were inflicted up to six months' hard labour. These drastic penalties, however, did little to solve the problem. Employment was available at American ports in many ships bound for other destinations than the United Kingdom, and the punishment of individuals could do nothing to diminish the smouldering resentment and suspicion which was spreading throughout the British Mercantile Marine.

Apart from the comparison with American rates, a fruitful source of discontent was the wide variation between port wages. The demand for a national standard wage had been one of the main planks in the seamen's platform before the war; but the circumstances of the war itself had tended rather to accentuate the differences between port and port. The actual amount paid

<sup>1</sup> In addition to the natural attraction of higher wages, it was alleged by British shipowners that blood-money up to £20 a man was sometimes paid to crimps for men enticed away from British ships. See *Annual Report of the Chamber of Shipping, 1917-18*, p. 91.

<sup>2</sup> Hopkins, *op. cit.*, p. 153.



varied by as much as 20 per cent. on the maximum, and whereas the war bonuses had been merged, in some instances, into the regular port rates, there were other ports where their temporary character was still emphasized.

During the summer of 1917 some attempt was made to remedy outstanding grievances. The War Risks Compensation Scheme was revised, as we have seen, to bring it into accord with the increased cost of living, and in August the scheme of insurance against loss of effects was also remodelled. The effects of officers and men employed on Government service were already held covered without payment of premium, and it was now decided to extend this privilege to all merchant seamen, and to refund all premiums received, on certificates taken out since the beginning of the year, from men to whom no claim had been paid since that date. At the same time the maximum amount of compensation to a seaman or fireman was raised from £5 to £7 10s.<sup>1</sup>

In the same month, August 1917, the Board of Trade announced that arrangements had been made for the universal payment, to the survivors of ships sunk by enemy action, of one month's wages, or pay up to the date of arrival in the United Kingdom, whichever should be the greater.<sup>2</sup> In September it was announced that free railway passes would be granted to the crews of all diverted ships, and that all other seamen discharged at a Mercantile Marine office would be enabled to travel to their home port at peace rates, free of the 50 per cent. surcharge on ordinary passenger fares.<sup>3</sup>

These concessions were well received, but the seamen complained that, in practice, they were hedged about with legal restrictions that deprived them of much of their value. Great dissatisfaction was caused, for instance, by the refusal to consider a ship involved in the Halifax explosion as 'sunk through war risks' for the purpose of the month's extra wages, and the restric-

<sup>1</sup> The total amount paid to Officers and Seamen in compensation for loss of effects was £1,338,000. Of this amount £384,000 was paid under the original insurance scheme, in respect of which premiums amounting to £89,000 were received. £936,000 was paid as compensation without payment of premium. In addition £18,000 was paid to men who had lost their effects before the original scheme was set up. Cmd. 98, pp. 9 and 11.

<sup>2</sup> In May 1918 it was agreed that this arrangement should apply to the crews of damaged vessels brought in or beached.

<sup>3</sup> In July 1918 a free pass was granted to all seamen after serving three months in the same ship, and in October the privilege became unconditional.

tion of the railway facilities to men discharged before a Marine Superintendent rendered the concession of little value to the coasting and short sea trades. It must be said, in fairness to those responsible for the schemes, that many of the complaints were unreasonable, and were so recognized by the Union officials; but they had great difficulty in getting the men to understand the impossibility of providing for all contingencies, and the necessity for some definite restriction of liability in dealing with public money.<sup>1</sup>

The truth is that the spirit of unrest had become too deep and widespread to be removed by any concessions which did not go to the root of the trouble—the question of the standard wage and the control of engagements. It was not that there was any sign of war-weariness or lack of determination. How little the ‘unrestricted’ submarine campaign acted as a deterrent may be illustrated by the singular defence successfully set up by a man who was prosecuted for failure to join a transport. He was able to prove that his failure was due to the refusal of his shipmates to sail with him, on the ground that he had already been in six torpedoed ships and was evidently a ‘Jonah’ of the worst description.<sup>2</sup> This man was quite ready to take the risk of a seventh torpedo, and there are instances of men who escaped from a still greater number of casualties. The increased ruthlessness of the attack served only to stiffen their backs. Indeed the seamen’s representatives provoked much criticism in labour circles, by their demand, at the Leeds Convention of June 1917, for a vigorous prosecution of the war and for the inclusion, in the terms to be demanded from Germany, of compensation to the sufferers from submarine warfare. This criticism became still more bitter when the National Sailors’ and Firemen’s Union, supported by the Deck Officers’, Engineers’, and Stewards’ Associations, placed an embargo on the passage to Stockholm of Messrs. Ramsay MacDonald and Jowett, the Labour delegates to a conference called by the new Russian Government for the purpose of meeting representatives of the German Socialists, with a view to promoting a negotiated peace.

<sup>1</sup> Hopkins, *op. cit.*, pp. 28–31.

<sup>2</sup> *Report of Proceedings at Annual Meeting of the Chamber of Shipping*, March 1917, p. 46.

In view of the fact that the passage of the delegates had been formally sanctioned by the British Government, the action of the mercantile marine associations in preventing a crew being obtained raised grave constitutional issues. Yet it is easy to understand the seamen's attitude. Apart from occasional atrocities, such as firing on the boats, the whole methods of submarine warfare constituted a violation of the accepted canons of war at sea that could not but be bitterly resented by men who clung with peculiar tenacity to the traditions of their calling. Exposed to such dangers and embittered by such experiences, they were not likely to listen patiently to the arguments as to the legality of the British blockade contained in the German seamen's manifesto of March 1917, with its impudent assertion that, apart from a few isolated 'mistakes', U-boat warfare had always been conducted 'with respect for humane and humanitarian principles'. To that manifesto an International Seafarers' Conference held in London during August, at which Allied and neutral nations were strongly represented, returned an answer that was not less stinging because it was closely reasoned and temperately expressed.<sup>1</sup>

But if the British seamen were whole-hearted in the prosecution of the war, they were no less whole-hearted in the determination to secure what they deemed to be their rights; and by August it had become evident that no measures were likely to have much effect in allaying the unrest unless they did something to meet the demands for a national standard wage and for full recognition of the Union organization. During July the Ministry of Shipping had set up a Mercantile Marine Conciliation Committee for the adjustment of disputes, under the chairmanship of Sir Leo Chiozza Money; but this was a purely official body on which neither the shipowners nor the men were represented. At the beginning of August, however, the Ministry invited the National Sailors' and Firemen's Union and the Shipping Federation to meet the Conciliation Committee in conference, to discuss the possibility of a national wage, the supply of seamen, and the regulation of the employment of Chinese.

The attitude of the Federation towards the Union had already

<sup>1</sup> Both the manifesto and the reply are printed in full by Hopkins, Appendices XXIX and XXX.



been somewhat modified as a result of the new atmosphere created by the war. Both organizations had loyally co-operated with the authorities in all measures relating to manning, and they had even met in conference, on their own initiative, in order to discuss questions relating to overtime in port. Both now responded with good will to the Ministry's invitation, and as the result of their first meeting, a joint committee was set up, under the Chairmanship of Mr. Griffin, of the Ministry, to consider in detail the terms of a settlement.

The crux of the problem was the question of supply. While all men on monthly articles had to be signed on at a Mercantile Marine office, the actual sources of supply had hitherto been the Shipping Federation on the one hand and the Sailors' and Firemen's Union on the other, the majority of the men securing either a Federation or a Union Ticket before seeking engagement. The Union now proposed that they themselves should undertake the whole responsibility for supply, and that no man should be signed on except through their instrumentality. To this the owners strongly objected, and a deadlock seemed to have arisen, when Mr. Havelock Wilson, on behalf of the Union, suggested that there should be one source of supply, under the joint control of the Federation and the Union. This proposal was at once accepted, and the conference settled down to the arduous task of drafting a constitution for a National Board to deal with both wages and supply.

Meanwhile the unrest was increasing in intensity, and during September the Union Executive frankly warned the Conciliation Committee and the Ministry of Shipping that unless a speedy decision could be arrived at on the question of a standard wage, the trouble was likely to pass beyond their control. Before this decision could be reached, however, many thorny questions had to be threshed out in connexion with the proposed Board, and the draft constitution was still under discussion when, at the beginning of October, matters came to a head through the crews of three big liners at Liverpool refusing to sign on unless the seamen were paid 240s. and the firemen 250s. a month, all bonuses being merged into wages. All attempts, either by the Union leaders or by representatives of the Ministry, to induce the men to resume work pending



a settlement proved absolutely useless. The men were determined that 'the standard of life that they had recently been accustomed to' should be maintained, or in other words, that the improvement which the war had brought about in their conditions should be rendered permanent by an advance fully covering the recent increase in prices.<sup>1</sup>

Finding themselves powerless, the Union leaders arranged an interview between a deputation of the men and the Shipping Controller himself, and at this interview terms, originally suggested by the Union, were definitely agreed. These terms, subsequently confirmed by a mass meeting at Liverpool on 6th October, were to the effect that a standard wage should be determined within four weeks, and should be retrospective as from that date; that meanwhile seamen should be paid 220s. and firemen 230s. a month, petty officers in proportion, and that the Board should fix equivalent rates, also retrospective as from 6th October, for men on weekly articles. On their part, the men promised loyally to accept the settlement and to do their best to prevent desertions.

The principle of a national standard wage, for which the seamen had so long been fighting, was thus definitely conceded, and within the agreed four weeks it was brought into effect. The urgency of the crisis forbade further delay in the negotiations, and ship-owners, seamen, and officials worked with a will to complete the task of setting up the necessary authority. By 23rd November the Controller was able to announce that the National Maritime Board had actually been formed. Its Chairman was Sir Leo Chiozza Money, M.P., Parliamentary Secretary to the Ministry of Shipping; its Deputy Chairman, Mr. C. Hipwood, C.B., Secretary to the Marine Department of the Board of Trade; its General Secretary, Mr. H. W. Griffin of the Ministry of Shipping. The remaining members of the Board were drawn exclusively from the industry itself. The shipowners had six representatives; the deck officers, engineers, sailors and firemen, cooks and stewards, were each represented by a panel of six members appointed by their respective organizations. Thus, on any question of wages or

<sup>1</sup> See report by Mr. T. Chambers, General Treasurer of the Union, printed by Hopkins as Appendix XXXII.

conditions relating to a particular class of those employed in the industry, the six representatives of the employers would meet an equal number of representatives of the employed.

On 22nd November, the shipowners met the Sailors' and Firemen's Panel in the first formal session of the National Board, and by 29th November standard wage rates for seamen, firemen, and the leading classes of petty officers had been agreed and confirmed by the Controller. The basis, for men on monthly articles, was 230s. a month for able seamen and 240s. for firemen. For sailors and firemen on weekly articles, finding their own food, the equivalent rate was fixed at 77s. 6d. a week. The wages of men in the catering department and of various grades not included in this preliminary schedule remained to be fixed ; but inasmuch as all decisions were to be retrospective, this was of little importance, now that the Board had been definitely established and had shown itself capable of dealing promptly with the questions at issue.

It was not intended, however, that the Board should be merely a wage-fixing body. Its importance lay quite as much in the recognition of Union machinery as in the acceptance of the standard wage, and now that shipowners and seamen had at last been brought together for organized co-operation, both sides showed a genuine desire to make this co-operation effective. The constitution of the Sailors' and Firemen's Panel, as agreed between the Union and the Shipping Federation, set out the objects of the Board as embracing :

- (a) the prevention and adjustment of disputes ;
- (b) standard wage rates, and conditions ;
- (c) the regulation and supervision of employment.

The regulation of employment was to be on the basis of a single source of supply controlled jointly by the Union and the Federation ; but the shipowner was to have the right to select his own crew and the seaman the right to select his ship, subject to engagements being effected through the approved machinery.

The constitution provided for the appointment of Port Consultants at the more important ports, appointed respectively by the Federation and the Union, whose duties were to co-operate in assuring an adequate supply of seamen, to facilitate engagement

and discharge, and to bring about, so far as possible, a settlement of local disputes. From these Consultants an appeal lay to Joint District Boards established for twenty-six maritime districts. To these Boards also was entrusted the task of establishing a system of registration and supply within their area, and of drawing the attention of the National Board to any matters requiring consideration. In the event of disputes, an appeal lay from the District to the National Board, and from the National Board to the Controller; but the Controller's findings were not binding on either side, unless accepted by the Board.

The other three panels—deck officers', engineers', and cooks' and stewards'—were of a more informal character, having no written constitution.

After the establishment of the National Maritime Board, the manning problem gave much less difficulty. Rates of pay for all grades not included in the announcement of 29th November were gradually worked out and were made retrospective as from 6th October. The pay of the Masters alone was not settled by the Board, as there was no Masters' panel, but the Shipping Controller fixed rates for the Masters of ships on Government service, and these rates were followed by all shipowners.

The increase in pay of Masters and officers, though very substantial, did not, especially in respect of the higher grades, represent so great a proportionate advance as that of petty officers and seamen. Certain concessions outside the question of pay were, however, made to them. For one thing, the right of navigating and engineer officers to overtime in port was conceded, though this concession was withdrawn, after the war, in 1921. The shipowners had always contended that it was wrong in principle. On the other hand, the excessive hours of duty in port had been a long-standing grievance prior to the war. A solution may ultimately be found along the lines of an agreed minimum manning scale and fixed periods of leave on pay. In this respect a beginning was made during 1918, when it was agreed that all officers should be entitled to fourteen days leave on pay for each year of continuous service. A less tangible concession, but one that had been strongly advocated as tending to raise the status of mercantile officers, was the establishment by Order in Council of September 1918 of



a standard uniform for officers of the Mercantile Marine. This was followed, after the war, by the Mercantile Marine Uniform Act, 1919, which gave to such uniform the same protection against unauthorized use as is enjoyed by military and naval uniforms.

No further change was made in wage rates until 7th October 1918, from which date all officers and men became entitled to a special war-risk bonus at a flat rate of £3 per month or 10s. per week, according to the articles on which they served. This bonus, however, was not payable to men serving on vessels permanently abroad, and therefore not exposed to war risk.

Questions of overtime also occupied much of the attention of the Board, and were satisfactorily settled as regards both definition and rates. With regard to overtime on weekly vessels the owners and seamen's representatives were unable to agree, but on the question being referred to the Controller, his findings were accepted by the Board. Another question that gave rise to considerable difficulty was the supply of food. The rise in prices and the actual shortage in supplies during 1918 bore hardly on men in weekly vessels, and instances occurred in which ships were unable to put to sea owing to the inability of the crews to procure food for the voyage. The National Maritime Board accordingly took up the matter with the Ministry of Food, and arrangements were made for the issue of special ration cards to weeklyseamen, and for priority in supplies to retailers selected for this purpose by the District Boards. Men on monthly articles were, of course, fed by the owners, but in response to the national appeal for economy in consumption, the men voluntarily agreed, in March 1918, to surrender one-half of their statutory allowance of meat, on the understanding that the owners were not to benefit financially by the surrender. This was followed by conferences between the National Board, the Sailors' and Firemen's Union, and the Shipping Federation, as a result of which the owners made arrangements for the better service of food on board ship which, it was hoped, would both prevent waste and compensate the men, to some extent, for their sacrifice. These arrangements included the issue of mess utensils and the appointment of forecastle and stokehold mess-men, to be paid by the owners. Arrangements were also made by the Ministry of Food



for the issue of supplementary ration cards to the crews of foreign-going vessels during their first two weeks ashore.<sup>1</sup>

Thanks to the establishment of a National Wage Rate, and the satisfactory settlement of overtime and other questions, the difficulty of obtaining crews was considerably reduced. The Port Consultants appointed by the Shipping Federation and the Sailors' and Firemen's Union were now jointly responsible for filling vacancies and getting the men on board, and considering the hostile relations previously existing between the two organizations, they worked together with surprising friendliness and success. By May 1918, however, the Ministry of Shipping had again become very anxious as to the question of supply, and a report on the subject was called for from the District Boards. The Union representatives, fearing an attempt to introduce further Chinese sea-going labour, asked for a more formal inquiry, and the Ministry therefore set up a Departmental Manning Committee under Mr. C. Hipwood. The National Maritime Board followed by setting up its own Sub-Committee on the Supply of Seamen, and an arrangement for co-operation between the two Committees was subsequently arrived at. Eventually the Departmental Committee reported that the supply of seamen was equal to the demand, but that there was no appreciable surplus, and the failure of the ordinary sources of supply rendered it desirable to consider the formation of reserve depots. An undertaking was given, however, that no Chinese would be imported without consulting the Union, who subsequently agreed to the enrolment of a small number of Dutch seamen at certain ports where a reserve was required.

In reply to the inquiries addressed to the District Boards, many of those Boards had drawn attention to the number of seamen who had joined the Army, and in compliance with their suggestions, the National Board were able to arrange that such men should be released, and that youths up to the age of 17-18 should be allowed to enter the Mercantile Marine instead of joining the Colours, providing a special register of all seamen were kept at the office of the Registrar-General of Seamen, to allow the

<sup>1</sup> The reduction in meat allowance was also partially compensated by an additional allowance of two ounces of bacon per day and 3 lb. of potatoes per week. Hopkins, *op. cit.*, pp. 74-6; *Liverpool Steam Ship Owners' Association, Report for 1918*, p. 56.

closest possible comparison to be made between supply and demand. The preparation of this register was begun in August 1918.

In addition to this National Register of Seamen, it was arranged that an Employment Register should be kept by the Board of Trade Officials at each port, for the purpose of facilitating the joint supply system under the control of the Shipping Federation and the Seamen's Union. At the same time a Central Clearing Office, also under joint control, was established in London, for the purpose of regulating the transfer of seamen from ports where there was a surplus to ports where there was a shortage, as shown by the local registers. These arrangements naturally took some time to elaborate, and they did not, in fact, become effective until after the war; but their working proved so satisfactory that the Central Clearing House was retained as a permanent feature of the joint supply system.

A further outcome of the system was the establishment of a Sea School at Gravesend, under the joint auspices of the Board of Trade, the Ministry of Shipping, and the officers' and seamen's organizations. The object of this school was to give, free of charge, a short period (six to eight weeks) of intensive training to selected youths of good character and physique, with a view to their employment in vessels requiring only one or two hands to make up a crew, on the scale of two trained youths for one able, or three for two ordinary seamen. As the school was not opened until September 1918, it came too late to have any effect on the supply of seamen for war purposes; but the results obtained during the first year of working were so good as to justify the continuance of the institution. During that period 802 trained youths had been passed into service, and the reports received from their employers were of a very encouraging character.

The working out and application of all these schemes and developments, the fixing of standard wages for all grades, the definition of overtime, the arrangements with regard to food, and, above all, with regard to supply and engagement, naturally imposed a severe strain on the machinery of the National Board. It is bare justice to both the parties represented on the Board to say that it stood the strain well. The National Board itself, the District Boards, and the Port Consultants worked energetically

and harmoniously, and were assisted by the display of a fair and reasonable spirit on the part both of the owners and the men. Apart from the big questions of principle to be decided, a constant stream of minor disputes and adjustments came up for settlement, and the majority of these were settled quickly and satisfactorily. In the words of one of the Union's representatives on the Board, 'Sometimes the Board has come up against hard, inconsiderate and immovable persons on both sides, but these have been the exception, certainly not the rule.'<sup>1</sup>

<sup>1</sup> Hopkins, *op. cit.*, p. 73.

## CHAPTER XVII

### CONTROL AND CONVOYS

FOR convenience of treatment we have traced to the end of the war the development of the manning and shipbuilding problems ; it is now necessary to return to the conditions in the shipping industry itself under the new régime set up at the beginning of 1917. In another volume of this series it has been told how, under pressure of the increasing shortage of tonnage for essential services, the control of ships and cargoes was developed during 1918 on an inter-Allied basis, by the establishment of the Allied Maritime Transport Council as a central authority to sift, co-ordinate, and adjust to the capacity of the available tonnage, the national import programmes.<sup>1</sup> In the history of Allied supplies this was an event of first-class importance ; but it had little significance so far as the British shipping industry was concerned. For practical purposes the British Division of the Allied Maritime Transport Executive was indistinguishable from the Ministry of Shipping, and the appointment of the Council brought no change in the relations between the owners and the Ministry.

It is with the history of shipping and not with the history of supplies that we are here concerned, and any detailed discussion of the effects of control, as reflected in the import returns, would go beyond the scope of this book ; the more so as it is impossible to disentangle the effects of the shipping control itself from those of the whole vast system of State purchase and marketing to which it was incidental. There is one point, however, which it seems necessary to emphasize because of its bearing both on the controversies of the time and on *post-bellum* policy : the intensification of control during 1917 and 1918 was a measure of war emergency, designed to meet the requirements of an abnormal situation. This

<sup>1</sup> Sir J. A. Salter, *Allied Shipping Control*, 1921.



is a point too often forgotten both by critics of the shipowners and by critics of the control itself.

It is frequently asserted that centralized control became necessary because the ordinary machinery of commerce had broken down in the performance of its essential functions, and it is sometimes implied that this alleged failure proves the inadequacy of private enterprise as the mainspring of the economic system. On the other hand, a comparison between the trade and shipping figures for the earlier and later years of the war has been used to demonstrate the inherent inefficiency of State trading. To the present writer both arguments appear wholly inconclusive. The efficiency of the normal economic machinery cannot fairly be judged by its performances under conditions of external interference which denied it, to a great extent, the liberty to function. The possibilities of State trading cannot fairly be judged by the achievements of a hastily improvised organization, operating under conditions that differed widely from those of ordinary commerce. The experiences of the war may reveal, in each system, certain elements of strength or weakness ; they cannot, of their very nature, be decisive of the main issue. Particularly inconclusive is any merely statistical comparison, for such comparison must leave out of account essential factors of the problem which cannot be statistically represented.

The shipping and import figures for the war years may be represented, roughly, by the following tables, in which the year 1913 has been taken as the index basis :

(a) BRITISH OCEAN-GOING TONNAGE AND ITS EMPLOYMENT.

	Total tonnage	In trade of United Kingdom	In trade between ports outside of the United Kingdom	In Admiralty or War Office service	Repairing or completing
1913	100	58	42	—	Not separately distinguished
1915	105	52	32	21	
1916	104	47	34	22	
1917	93	41	25	22	
1918	88	41	23	16	

## (b) SHIPPING AND IMPORTS IN TRADE OF THE UNITED KINGDOM.

	Tonnage entered with cargoes			Estimated weight of imports	Imports per 100 tons of shipping entered	Ratio of export to import values per cent.
	British	Foreign	Total			
1913	68	32	100	100	111	83
1915	56	25	81	85	138	57
1916	50	24	74	81	147	64
1917	46	10	56	68	160	56
1918	49	8	57	64	151	40

N.B.—In Table (a) the figures from 1915 onwards include prize and detained vessels. Those for 1917 and 1918 include a number of vessels on Dominion Register not included in the figures for earlier years. The figure for tonnage in Admiralty and War Office service in 1918 makes no allowance for liner space devoted to American troopings.

It will be remembered that, down to the end of 1915, the bulk of the shipping employed for commercial purposes was free from any kind of control, other than navigational restrictions for reasons of defence. During the following year all ships were controlled by licence, and direction of shipping was adopted in certain trades ; but it was not until the decision to requisition for wheat, towards the end of 1916, and the introduction of liner requisition, early in 1917, that direct control replaced individual initiative as the main motive power of oversea trade.

Throughout 1915 and 1916 about one-fifth of the available ocean-going tonnage was continuously in naval or military employment, and the effect was seen in a substantial reduction of the tonnage employed both in the trade of the United Kingdom itself and in the general carrying trade of the world. The figures for 1915 show that, even before the institution of the Ship Licencing Committee, the demands of British importers, as reflected in the freight markets, had drawn home many ships from the trade between foreign ports ; but in 1916 the increasing demands of the Allies had to be met at some further sacrifice of British trade.

In both years the reduction in entrances under the British flag was proportionately greater than the reduction in available

tonnage.<sup>1</sup> This was due in part to the diversion of trade from the short-sea to the ocean tracks ; in part to the dislocation of sailings by requisitioning and by navigational restrictions ; most of all, to the effects of port congestion. On the other hand, many ships that formerly went on to discharge a part of their cargo in a Continental port now completed their discharge in the United Kingdom ; the strong demand for the available tonnage ensured full cargoes and good stowage, and many liners converted into cargo space their unwanted steerage accommodation. Thus the weight of imports represented by every 100 tons of shipping entered showed a notable increase.

In the net result, the total volume of imports during 1915 and 1916 showed a reduction of 15 per cent. and 19 per cent. respectively on the 1913 figures. Approximately one-half of the 1916 decrease was accounted for by timber alone. The essential food supplies of the country had been well maintained, and the fact that civilian supplies of certain staple foodstuffs were seriously curtailed was due, not to lack of carrying-power, but to the closing, in whole or in part, of important sources of supply,<sup>2</sup> or to the large consumption per head of the men under arms.<sup>3</sup> The leading staple industries had been supplied with the bulk of their normal requirements for raw material, and exports, which slumped heavily in 1915, showed a marked recovery in the following year.

Down to this date British shipping had fulfilled every requirement of the Army and Navy, had provided a large block of tonnage for the import services of the Allies, and despite the activities of raiders, submarines, and mine-layers, and the continual dislocation caused by war conditions, had maintained the import trade of the United Kingdom at a level sufficient to sustain a reasonable

<sup>1</sup> Index figures :

			British ocean- going tonnage available for United Kingdom trade	British tonnage entered	
				All trades	Ocean trades only
1913	.	.	100	100	100
1915	.	.	90	68	82
1916	.	.	81	61	74
1917	.	.	71	56	68
1918	.	.	71	59	73

<sup>2</sup> e. g. Germany and Austria for sugar ; Russia and Scandinavia for dairy produce.

<sup>3</sup> Particularly as regards meat.

standard of life and maintain the economic efficiency of the country. So far there was no sign of break-down.

Nevertheless the seeds of future weakness had been sown. The abnormal level to which freights were forced up by the competition of shippers showed plainly that the carrying capacity of the available tonnage was unequal to the demand ; but the Government, more concerned with the symptom than the disease, confined their activities mainly to attempts at direct freight limitation. Despite strong pressure from the shipowners themselves and from the Transport Department, Shipping Control Committee, and other shipping Authorities, they took no adequate steps to restore the equilibrium between demand and supply by the exclusion of non-essential imports, to ensure the supply of steel and labour for merchant shipbuilding, or to remove the avoidable causes of port congestion. The results of this neglect were seen when the submarine campaign developed its maximum intensity. Down to the summer of 1916 the acquisition of prize and detained steamers, together with such new construction as remained possible, had approximately balanced the losses sustained ; the submarine campaign had been regarded as a serious inconvenience rather than a deadly peril, and the diversion of shipping to naval and military employment had been a bigger factor than losses in the tonnage situation. The intensification of submarine activity during the autumn and winter of 1916 brought about a complete change. By 31st January 1917 the total available ocean-going tonnage was less by 925,000 tons than at the outbreak of war. Then came the 'unrestricted' submarine campaign, and by 30th April the net deficit had risen to 1,650,000 tons ; by 31st July to 2,300,000, and by 28th February 1918 to 3,000,000 tons.<sup>1</sup>

Nor was this all : the interference with sailings, the delays due to zigzagging and deviation increased with the increase of the peril, and at one period it was calculated that 40 per cent. of the outward sailings were being interfered with. Further, a large proportion of the neutral shipping that had formerly served the United Kingdom was terrorized into inactivity, or driven into safer employment in distant seas. It has been suggested that the decline in neutral entrances during 1917 and 1918 reflects the blighting

<sup>1</sup> See *Seaborne Trade*, vol. iii, Appendix C, Table V.



influence of State control, and it is unquestionable that a good deal of neutral tonnage was driven away from British and Allied ports by ill-conceived schemes of freight limitation. On a fair review of the evidence, however, there is little doubt that the main cause of neutral withdrawals was the intensification of the submarine danger. Such neutral shipping as continued to serve Great Britain and her Allies was retained in that service mainly by agreements effected through pressure brought to bear by restrictions on coal exports and bunkering. It may be added that the bulk of such tonnage was allocated to the service of France and Italy.<sup>1</sup>

Meanwhile the requirements of the Allies increased rather than diminished, and the vital military and naval services had to be maintained, practically at any cost. Thus the main weight of the losses fell on that part of the Mercantile Marine which was employed in the import service of the United Kingdom and in the general carrying trade. It became extremely doubtful whether, even with the utmost efficiency in the employment of the ships, the available tonnage could continue to bring in the essential minimum of supplies.

It was with this situation that the Ministry of Shipping had to deal in 1917 and 1918. They met it, as we have seen, by the principle of Atlantic Concentration, in which the cross-services and the direct services to distant countries were either obliterated or reduced to a skeleton, in order that every available ship might be employed in bringing cargoes from the nearest available sources. At the same time the Government adopted the system of import restrictions, and the Port and Transit Executive Committee received stronger backing in their efforts to clear the ports. The total tonnage available for the trade of the United Kingdom was considerably less than in 1916, but the ratio of entrances to tonnage available showed a marked improvement, and thanks to the concentration on shipment of bulk deadweight cargoes, there was a still further increase in the volume of imports carried by each hundred tons of shipping.

Even so, the total volume of imports fell away until it represented, in 1918, less than two-thirds of the normal, and it is

<sup>1</sup> Ibid., vol. ii, pp. 359-62; vol. iii, *passim*, especially Chapters III and X.

suggested by critics of State control that the 1917-18 figures afford sufficient condemnation of a system under which no better results could be secured from concentration on the shorter tracks.<sup>1</sup> As already suggested, this argument, as it stands, is wholly inconclusive. Against the advantages of concentration must be set the effects of unrestricted submarine warfare, not only in the larger proportion of ships and cargoes sent to the bottom, but in the dislocation of sailings and the delays caused by defensive measures. No precise arithmetical evaluation of these factors is possible.

In these circumstances all criticism must be, to a great extent, empirical. It is asserted, even by those shipowners who were strong supporters of State Control as a war measure, that its tendency was unfavourable to efficiency and economy in the actual running of the ships. The owners of requisitioned vessels and even the managers appointed by the Ministry of Shipping were frequently kept in ignorance of their employment and whereabouts, though managers were generally given some indication of the approximate length of the voyage for which a steamer was to be prepared. The close personal watch that efficient owners were accustomed to keep on the running of their ships was thus destroyed, and there followed, on very general testimony, a certain slackening of the sense of individual responsibility on the part of those concerned in running, bunkering, loading, and discharging the vessels. It was not that the sense of national service was less strong than that of immediate, pecuniary responsibility to an individual owner, but that its relation to catching, for instance, a particular tide was less easy to appreciate.

A report on shipping in the Mediterranean, prepared in 1917, fully bears out these conclusions. It was stated that few of the Principal Naval Transport Officers and Shipping Control Officers possessed practical shipping experience. The interest of the Transport Officers was mainly confined to fully requisitioned ships. The time of the Shipping Control Officers was mostly taken up by coding and de-coding telegrams. Ships were continually sent to ports where their owners had no established agent, and unless the Master had experience of the port he was liable to fall into the

<sup>1</sup> See *Annual Report of the Liverpool Steam Ship Owners' Association for 1918*.

hands of store dealers and others of a questionable stamp. Repairs, bunkering, loading, and discharge tended to be extravagantly and inefficiently carried out—and this not so much through lack of zeal on the part either of masters or officials as through lack of knowledge and of effective organization.

As a result of this report, experienced shipping men were sent out, as representatives of the Ministry, to co-ordinate the work of the officials, a list of reliable agents was drawn up and issued to every ship, and a sound system of bunkering established. There is, indeed, no doubt that, as the result of the development of the Ministry of Shipping and the close association of practical shipping men with its operations, many of the evils incidental to an improvised control were gradually cured or alleviated. The continuous expansion of the Ministry, some account of which has already been given, was not due merely—as some shipowners imagined—to the official appetite for extended powers and more complicated routine, but to the absolute necessity, once the commercial machine had been displaced, of building up a new organization to replace it.

Granting the necessity of the Control and the conditions in which it was established, the majority of shipowners will admit that the Ministry did their work well. It must be remembered, however, that they were responsible only for the running of the ships. The commodities of which the cargoes were composed were, for the most part, themselves controlled by various Authorities, such as the Wheat Commission, the Sugar Commission, and the Ministry of Munitions. However efficient these bodies may have been for their own purposes, they were not all well acquainted with shipping problems, and the system of fixed freights and prices rendered it difficult to establish between them and the Ministry the ordinary relations of shipper and shipowner. The elaborate system of inter-Allied organization built up during the last year of the war represented an attempt to bring about closer liaison between these bodies and the various shipping and financial controls, and to establish, on the basis of scientific analysis of import requirements, that process of adjustment between shipping services and competing demands which is normally left to the play of economic forces in a free market. It may fairly be claimed that the great



progress made in the direction of co-ordination was due, in large measure, to the appointment of Mr. J. A. Salter, Director of Requisitioning, as Secretary to the Allied Maritime Transport Committee, and Chairman of the Executive.

Throughout the war, however, and more particularly in the earlier stages, there was a tendency for the various controls to work in water-tight compartments, with the result that their operations, even when completely successful in their own sphere, frequently produced unexpected and disastrous reactions on other branches of national activity. Thus, early in 1916, the North Atlantic Lines represented that requisitioned space was continually being wasted owing to the non-arrival of munitions cargo at the ports by the sailing date. The Ministry of Munitions accordingly appointed a representative to supervise the rail movements of their purchases, and the Transport Department established a branch office in New York. Even then, the failure to synchronize rail and shipping movements caused frequent delays, and in May 1917 the Ministry of Shipping's New York Office took over entire responsibility for the railway movements of Government-owned goods. Still more serious was the congestion caused at British ports by the tendency of the buying Departments to rush forward purchases without regard to the receiving capacity of the ports, and their reluctance or inability to remove them from the quays to inland storage. This trouble was particularly marked in respect of rationed foodstuffs which tended to pass very slowly into consumption, as the Ministry of Food inclined to take delivery in small parcels, direct to the retailers, rather than to remove the cargoes in bulk for distribution from inland centres. On many occasions during the war, the accumulation of sugar, wheat, wool, and other commodities caused acute anxiety to the Port and Shipping authorities ; but perhaps the most glaring instance was the great bacon glut of 1918, when the Port and Transit Committee were suddenly called upon to prepare for the reception, within a few months, and almost entirely at West Coast ports, of shipments equivalent to a whole year's normal imports. Not only did the consequent accumulations clog the working of the ports and railways, and delay the flow of traffic ; nothing but a period of abnormally cold weather saved a large proportion of the bacon itself,



mostly mild-cured, from becoming unfit for human consumption before it had been removed from the quays.<sup>1</sup>

Whatever may have been the disadvantages of State Control, however, they were more than compensated, in the opinion of many eminent shipowners, by the power of detailed direction, which made possible the rapid concentration of every possible ship on the carriage of essential supplies from the nearest sources. It has been argued, as we have seen, that the re-direction of the purchases would, by itself, have ensured the re-direction of shipping. That is certainly not the view of the leading owners in the depleted trades. So long as trade was carried on on the lines of ordinary commerce, the argument holds good. What was now required was that not only immediate individual profit but goodwill and connexions, export interests, and sound finance should alike be sacrificed to the one paramount consideration of distance. It is hard to see how the requirements of the situation could have been met except, as it was, by a bargain giving the Controller unlimited powers of direction, in return for a guarantee of establishment charges.

A more plausible argument is that the situation should never have occurred at all. If, it is said, the Government had realized from the first the importance of merchant shipping and the limited number of ocean-going steamers available, they would have permitted and encouraged new construction on the largest possible scale, scrutinized more closely the allocation of tonnage to naval, military, and Allied employment, and increased the carrying-power of the available ships, by restricting unnecessary imports, and taking steps to avoid port congestion. Further, a fuller realization of the part played by tonnage in the war would certainly have led to the earlier adoption of protective measures capable of keeping losses within bounds. In such circumstances, private enterprise, controlled only by licensing, could have maintained the volume of essential supplies, without making the sacrifices involved in the Atlantic Concentration.

Even if this proposition be accepted, the fact remains that the problem had to be solved, in 1917, in the light of a situation that had already arisen, and the concentration of shipping on the

<sup>1</sup> *Seaborne Trade* vol. iii, pp. 343-5.

shortest routes was the only practicable method of rendering the available carrying-power adequate to essential requirements. It is important, however, to bear in mind what this decision involved. In the first place, it entailed a heavy sacrifice of good-will and trade connexions, and the temporary abandonment to formidable competitors, such as the Americans and Japanese, of trades and markets in which the British flag and British goods had long predominated. It involved the practical abandonment of all ordinary commercial and economic principles in the procuring of supplies. The British and Allied Governments appeared as forced buyers of the whole supplies on offer within a limited range of sources. At the same time the services to the most important markets for British products were drastically restricted, and the cross-services which had played an important part in the adjustment of the trade balance were almost entirely destroyed. The entrepôt trade was ruthlessly sacrificed, and both in the re-direction of services and the allocation of space, the requirements of the export trades for raw material were, inevitably, postponed to the demands of the food supply and the war industries. The result was that, while import values steadily increased, exports as steadily declined until they represented only two-fifths of the import values, as against more than four-fifths in 1913. Further, while the proportion of imports obtained from the United States and Canada rose to little less than one half of the whole, a third of the exports went to supply the needs of the European Allies. The British hold on important markets was loosened, and an immense burden of debt was incurred in the countries where purchases were concentrated.

Such operations, by which the future was more and more deeply mortgaged to provide for the pressing necessities of the present, bore little relation to the processes of ordinary trade. They could be carried on only by pledging the credit of the State, and they would, in fact, have been impossible but for the loans granted by the United States Government, when British and Allied credit was exhausted. It is essential, in any comparison between the results achieved during the earlier and later period of the war, to bear in mind this profound change in the conditions of the problem. Serious mistakes were, undoubtedly, made during 1917-18; but it is unfair to saddle the system of control then adopted with

responsibility for the inherent disadvantages of a policy which the tonnage situation rendered inevitable, or to overlook the effects of intensified submarine activity. Shipowners and traders may have been unduly influenced, during 1915-16, by the desire to preserve trade connexions and established services ; but it was, generally speaking, desirable in the national interests that the natural flow of trade should be maintained. It was only the intervention of the United States that rendered the Atlantic concentration possible ; it was only as a last resort that it became desirable.

Not even the adoption of concentration could have saved the situation in 1917 had the rate of loss continued for long at the level of the first few months. During the spring and early summer of that year, urgent representations were sent in by the shipowners' associations that, unless more efficient protection could be provided, the war must, in no long time, be brought to an end by sheer lack of tonnage.

In these circumstances the question of reviving the old system of protection by convoy naturally arose. The problem, however, was by no means simple. Even in the sailing era, when convoy was compulsory by law in the principal trades, the system had critics who asserted that its advantages were counterbalanced by the massed target presented to attack and the heavy losses sustained when an escort was overpowered. On the other hand, the general belief in the efficiency of the system was proved by the fact that underwriters were always willing to reduce premiums when a warranty to sail in convoy was inserted in the policy.<sup>1</sup>

By enabling merchant vessels to disperse to all points of the compass when an escort was overpowered, the introduction of steam had partially removed the principal objection urged by the older critics. On the other hand, it had enormously multiplied the objections arising from delays. To a far greater extent than ever before, the annual carrying-power of the ships now depended on rapidity of turn-round, and the massed industrial populations of modern times depended for their very existence on an unbroken stream of ships arriving day by day throughout the year. In these circumstances the objections to the system became very strong. It entailed intermediate voyages to the port of assembly,

<sup>1</sup> Colomb, *Essays on Naval Defence*, 2nd ed., 1896, pp. 235-46.



and delays in port while the convoy was collecting or awaiting escort. It reduced the speed of the fastest ship in the group to that of the slowest. It complicated the working of the ports by causing ships to arrive in batches, instead of in a steady daily stream.

For the Navy, too, the problem was far more formidable than in the days of sail, since the necessity of maintaining a continual stream of traffic involved much more frequent dispatch and a far greater strain on the escorting craft. An Admiralty memorandum of 1741 shows that, during the first twenty-four months of the war of the Austrian Succession, 45 homewards and 35 outwards convoys sufficed to meet the requirements of the ocean trades.<sup>1</sup> In the summer of 1918, when the ocean convoy system was at its height, about 42 homewards and 40 outwards convoys were dispatched *every thirty-two days* in the ocean trades alone, leaving out of account local convoys in the Mediterranean, and the special provision made for the French coal trade, and the Dutch and Scandinavian traffic.

So early as February 1917, the French coal trade was organized by Commander R. G. H. Henderson, R.N., of the Anti-Submarine Division, on a convoy basis, and in April the Scandinavian convoy was established; but the Admiralty still continued to resist the introduction of ocean convoy, on the ground of an insufficiency of destroyers and patrol craft to provide the necessary escort. Indeed they appear, through a most unfortunate miscalculation, to have conceived a greatly exaggerated notion of the actual number of voyages to be protected.<sup>2</sup> They were influenced also by strong doubts, expressed by a conference of Masters in February, as to the possibility of station-keeping under the conditions then existing.<sup>3</sup>

The representatives of the great shipowners' associations, when consulted, refrained from expressing an opinion on the technical merits of a purely naval question; but they insisted that, if disaster were to be avoided, something must be done and that

<sup>1</sup> Richmond, *The Navy in the War of 1739-48*, vol. iii, pp. 182-6.

<sup>2</sup> The actual number of arrivals and departures of ships in the ocean trades was about 120 to 140 per week. It appears to have been estimated at many hundreds. See *Seaborne Trade*, iii. 128-9, and Salter, *Allied Shipping Control*, p. 123.

<sup>3</sup> For a more detailed account of the inception and organization of the convoy system, see *Seaborne Trade*, vol. iii, *passim*. For the naval difficulties, see Viscount Jellicoe of Scapa, *The Crisis of the Naval War*.



quickly to reduce the rate of loss, and they were able to show by an analysis of sailings that the task of providing escort was less formidable than had been supposed. The United States Navy promised assistance ; one or two experimental convoys run during May proved that the difficulty of station-keeping had been exaggerated, and during July regular homewards convoys were inaugurated from North American ports. In August outwards convoys began to run, and the system was rapidly extended until the majority of ships, on all routes, were provided with escort through the danger zone. During the last few months of 1917, just over half the total oversea traffic of the United Kingdom was running either in ocean or in short-sea convoys ; by the end of the war, the proportion had reached 90 per cent.

From the first, the success of the system in reducing losses was beyond question. Of 16,693 vessels escorted in ocean convoy, 99 per cent. came safe to port, and as a larger and larger proportion of the sailings were brought under the system, the tale of losses steadily decreased. From 2,305,000 tons in the first six months of unrestricted submarine warfare, the destruction of shipping (including coasters and sailing vessels) sank to 1,400,000 tons in the next six-monthly period, and 1,150,000 tons in that ended July 1918.

It would be foreign to the scope of this work to describe in detail the organization of the convoys, or to enlarge on the admirable work done by the Convoy Section of the Admiralty and by the officers and crews of the escorts. It is pertinent, however, to point out how great a strain the system imposed on the Mercantile Marine itself. It must be remembered that the convoys included many old cargo ships, indifferently provided with the electric signalling apparatus between bridge and engine-room required for the performance of complicated manœuvres under steam ; that most of the ships left in commercial employment were now short staffed in respect of both deck officers and engineers, and that the Fighting Services had absorbed a large proportion of the more experienced firemen and seamen. Further, the coal available for mercantile bunkers was often inferior in quality, and the ships themselves were loaded with a view to utilizing their maximum dead-weight capacity, without too much regard to the navigational

conditions of the voyage or season. In these circumstances, station-keeping and group zigzagging in convoys of from 6 to 40 ships was a severe test, and imposed a constant strain on the Masters and watchkeepers.

Courses for Masters and officers in zigzagging and antisubmarine defence had been established during the spring of 1917, and the closer touch thus established between the Navy and the Mercantile Marine was of great assistance in surmounting the difficulties of convoy. It was not always easy, at first, for the merchant service to appreciate fully the necessity of the strange new discipline imposed upon it; it was not easy for naval officers, accustomed to ample equipment, large crews, and best Welsh coal, to realize the difficulties of the merchant seamen and adjust their requirements accordingly. With experience came better comprehension and closer co-operation. A regular system of conferences between the officers commanding escorts and the Masters proved invaluable,<sup>1</sup> and both the Admiralty and the shipowners' associations worked hard at analysing the experience of each convoy, with a view to profiting by it in the future.

To the shipowners also, the convoy system brought grave responsibilities. Successful as that system proved in reducing the rate of loss, its advantages were, at first, counterbalanced in the North Atlantic trade by the additional delays which it involved.<sup>2</sup> The average length of the round voyage was increased by 25 per cent., and the advantage of the North Atlantic concentration was, to a great extent, neutralized. While more and more ships were diverted to the North Atlantic tracks, the number of voyages was not proportionately increased. By the winter of 1917, the problem of supplies had become exceedingly acute. Sir Leo Chiozza Money, Chairman of the Tonnage Priority Committee, and a new Import Restrictions Committee appointed in November 1917, agreed in estimating the prospective reduction of imports during 1918 as, at least, 6,000,000 tons. This would bring the

<sup>1</sup> For a graphic description of these conferences and of the instructional courses, see *Merchantmen at Arms*, by David W. Bone, London, 1918.

<sup>2</sup> On other routes the gain involved in a more direct course than was possible under independent sailings generally neutralized the delays caused by the system. To ships from the East, the convoys actually represented a great saving of time, inasmuch as they permitted a return to the Suez route when the through Mediterranean Convoys were instituted in October and November 1917.

total volume of imports down to 57 per cent. of the 1913 figures, and as all imports of bulky non-essentials had already been drastically cut down, the weight of the new reductions must fall on commodities previously considered as essential, even under war conditions.

How largely this actual and prospective reduction in carrying-power was due to the working of the North Atlantic Convoy System was not generally recognized ; the Liverpool Steam Ship Owners' Association, who had carefully analysed the voyages made before and after the introduction of the system, were in full possession of the facts. Under the Liner Requisition Scheme, with its flat time-rate remuneration, the number of voyages made by the vessels they owned or managed was, financially, immaterial to the owners ; but to the nation, of which they were a part, it might make all the difference between victory and defeat. At a conference in August 1917, the Association had offered to place the organizations of the lines unreservedly at the service of the Admiralty for the purpose of securing closer touch between the Navy and the Mercantile Marine in details of convoy organization ; but little advantage had been taken of their offer, and they were left with the feeling that their intervention was regarded as an intrusion. Harassed and disheartened, many of the companies were losing interest in the running of their ships, and subsequent investigation showed that the best use was not being made of the berthing and bunkering facilities at Liverpool.

The Association, however, continued to hammer away at the task of impressing on the Authorities the importance of the problem, and as a result of their persistence, Commander, now Captain Henderson was sent to Liverpool during November, to attend a special meeting of the Association, and investigate the problem on the spot. This visit produced most important results. While in Liverpool, Captain Henderson conducted a personal and minute inquiry into the working of the port in connexion with convoy, and his suggestions with regard to the pooling of berths and bunkering facilities were readily accepted by the lines, who now felt that a serious attempt was being made to grapple with the whole problem. Above all, as a result of Captain Henderson's visit, and of subsequent correspondence between the Association, the Admiralty,



and the Ministry of Shipping, a much closer co-operation was set up between the shipowners themselves and those responsible for the protection of the ships. A Port Convoy Officer was appointed by the Admiralty in order to establish personal liaison on the spot, and on 29th November, a Liverpool Convoy Committee, under the Chairmanship of Mr. T. Harrison Hughes, Chairman of the Association, was set up by the lines engaged in the North Atlantic trades.

The Association had already prepared a book giving, in respect of all entered vessels, the latest particulars in relation to sea-speed, capacity, armament, and all other relevant matters, and it was now arranged that a similar return, corrected to date, should be sent in each month by the lines to the Secretary of the Convoy Committee. On this information the Secretary prepared for the Admiralty a monthly return, on which the grouping of ships in convoy could be based, both for protective purposes and for those of quick turn-round. On the sailing of each homeward convoy, the Admiralty informed the Secretary of its probable date of arrival in the Mersey, and this information was passed on to the lines, who were required to report the probable date on which each vessel would be ready to sail on a new outward voyage. A summary of this information was then sent up to the Admiralty, to guide them in assigning vessels to the outward-bound convoys, and it was the business of the Convoy Committee to ensure that every possible step should be taken to accelerate turn-round, so that the sailing dates might be rigorously kept.

The full importance of these arrangements became manifest in the spring and summer of 1918, when the great American trooping programme rendered it imperative that the turn-round of the fast convoys to Liverpool should be reduced to a minimum, and that the sailing programme should be kept to with the utmost exactness. By this time the Ministry of Shipping had formed a New York Convoy Committee, composed mainly of representative liner agents, with sub-committees at the principal American ports, and in August, when a new fast convoy from Halifax to the Channel was established, the London shipowners formed a Committee under Mr. Herbert Scrutton, Vice-President of the Chamber of Shipping.



Under no circumstances could ships running in convoy make as many voyages in a given time as under peace conditions, but thanks to the close liaison now established between the naval and shipping authorities and the shipowners themselves, the *additional* delays at first caused by convoy in the Atlantic trade were entirely eliminated ; the turn-round was, at least, as quick as in 1916, and the full benefit of the Atlantic concentration was secured. That concentration was still closer and more rigorous than in 1917, but as against this must be reckoned the effects of cumulative losses and of the American trooping programme, estimated, at its height, to shut out about 400,000 tons of imports each month. Nevertheless the tonnage entered during 1918 compared far more favourably with the shipping available than in the previous year, and the total reduction in imports was only about one-third of the estimate. For these results the re-organization of the convoy system in the North Atlantic was largely, perhaps mainly, responsible. The credit must be shared between the Convoy Sections of the Admiralty and Ministry of Shipping, the Port Convoy Committees, the shipowners and the officers and crews of the escort vessels and of the Mercantile Marine itself. In so great an achievement there is credit enough for all.

## CHAPTER XVIII

### THE WORKING OF BLUE BOOK TERMS

REMARKABLE as were the administrative developments that followed the appointment of the Shipping Controller, they left substantially unaffected the rights and obligations of shipowners under the Blue Book terms. On the other hand, the personal influence of the Controller and the association of so many prominent owners with the Ministry of Shipping were of great assistance in the amicable settlement of disputes arising out of the interpretation of those terms. Some of these disputes were due to ambiguities in the terms themselves ; others, still more numerous, to the way in which the owners' obligations and remuneration were affected by war developments. It will be convenient to consider both classes together.

One of the most prolific causes of dispute was the provision for payment by the State of ' extraordinary out-of-pocket expenses arising out of the requisition '. This was intended to cover all departmental requirements, not specifically provided for in the *pro forma* charter-parties, that went beyond the ordinary practice under a time charter. The principle was clear ; its application to the requisition of so many ships, for such varied purposes, frequently gave rise to controversy. While some owners put forward unreasonable demands, others had reason to complain of the rigidity with which the terms were interpreted in respect of bona fide claims. Under the new régime there was a tendency to lay less stress on the letter of the charters, and approximate, so far as possible, to ordinary commercial practice. This proved to be sound policy ; the aggregate cost of the concessions was small, and they went far to remove a genuine sense of grievance.

Such concessions related mainly to the treatment of individual hard cases. The guiding rule all along was that ' expenses arising out of the requisition ' covered only those due solely to the Govern-

ment's requirements as time-charterer, and not those arising from war conditions in general. For instance, the cost of fulfilling the owner's obligations to dry-dock his vessel every six months increased continuously throughout the war ; but such increased costs were regarded as a consequence of the general economic disturbance and therefore irrecoverable. If, however, the Transport Department, for their own convenience, required a ship to be dry-docked abroad, and not, as contemplated by the charters, in the United Kingdom, they refunded the additional expense incurred. On the same principle the Department refused to refund any increase in the cost of those repairs for which the owners were liable ; but admitted liability in respect of claims arising from the postponement of repairs for departmental convenience, or for exceptional wear and tear arising from special employment, as when a steamer, not constructed to bear the strain of lying on the mud at low tide, was sent to a port where she was compelled to do so.

Other claims arose out of the increase in running expenses arising from the diversion of vessels to unaccustomed trades. For instance, the provision of warm clothing for Lascars employed in ships diverted from Eastern waters to the Atlantic was admitted as an extraordinary out-of-pocket. Again, the marine insurance policies on many vessels contained warranties against their employment outside specified limits. When a ship under requisition or direction was employed outside those limits, her owners were clearly entitled to be indemnified against the breach of warranty, and excess premiums on hull policies were accordingly refunded. At first the Transport Department refused to admit liability for excess premiums in respect of policies on freight, disbursements, and anticipated profit ; but the distinction was illogical, and early in 1916 they agreed to refund excess premiums in respect of everything that a prudent owner would normally insure.

In the early stages of the war, many claims were put in for ‘ wasted expenditure ’, in connexion with cargo already loaded in ships at the date of requisition. Such claims required careful scrutiny ; for in one instance, at least, it was discovered that the cargo was consigned to a Baltic port, to which it could not possibly have gone forward ; but this was exceptional, and generally

speaking the Department admitted liability for the refund of expenses properly incurred in discharging the goods and reloading them in a substituted vessel.

A still more fertile source of claims, and one that grew steadily in importance, was damage done to the ships by stevedores in loading or discharging. Although the stevedores were appointed and paid by the State, the shipowners were liable, under the terms of the charters, for any damage caused by their negligence, and the operation of this clause gave rise to much discontent. No one in 1914 could have foreseen the situation existing later in the war, when skilled labour at the ports had become extremely scarce and damage extremely prevalent. Normally the shipowners would have their remedy against the stevedores themselves; but this was frequently very difficult to enforce in foreign ports, and quite impossible when military labour was employed. The Ministry of Shipping accordingly made a practice of granting, *ex gratia*, payments on account of 'grab damage' when no redress could otherwise be obtained, and in March 1918 they gave a general indemnity in respect of damage to requisitioned ships by stevedores or crane men, conditional on legal action being taken by shipowners whenever possible.

Other claims were less well founded. Many owners attempted, for instance, to recover the extra cost of provisions and stores over and above the 1914 level. This was clearly not an expense 'arising out of the requisition', for it was common to all ships. It stood on a different footing to the refund of excess wages, since the latter was governed by the terms of a definite agreement (the Tramp Agreement of March 1915), and was justified by the fact that the original wage advances had been negotiated by the Transport Department direct.

Again, an ingenious argument was put forward by some owners that, as the increase in ship values was due to the scarcity of tonnage arising from the withdrawal of so many ships from commercial employment, the consequent increase in the cost of marine insurance was an expense 'arising out of the requisition'. To this plea the Transport Department, with the full concurrence of the Admiralty Arbitration Board (composed mainly of shipowners) turned a deaf ear. The Board had intended to provide merely for



expenses arising out of the requisition of a particular ship ; the general effect of the requisitioning policy was regarded as incidental to the existence of a state of war.

Expenditure on defensive equipment stood, of course, on a special footing, in view of the Government's liability for war risks on requisitioned vessels. The question was complicated both by the fact that this expenditure, in certain instances, was compulsory on all vessels, and by the division of responsibility between the Admiralty and Ministry of Shipping. Its treatment cannot claim the merit of consistency.

Guns and howitzers were, throughout, provided by the Admiralty free of charge, and the expense of fitting them was also borne by the Admiralty except for the cost of fitting guns in ships completed after March 1916, and howitzers in steamers over 3,000 tons gross, laid down after 1st December 1917.<sup>1</sup> Depth charges and apparatus for producing smoke-screens were always supplied by the Admiralty, without expense to the owners. In neither instance was any distinction made between 'free' and requisitioned vessels. The provision of 'otter' gear as a protection against mines was differently treated. Its use was very unpopular with Masters, who alleged that it increased the submarine risk, by reducing the speed of the ships ; nevertheless the equipment of all ships with a mean loaded draft of 12 feet and upwards was made compulsory in April 1917.<sup>2</sup> The object was not only the protection of the individual ship, but the general reduction of the mine menace, by cutting the cables of the mines, and thus enabling them to be harmlessly exploded on the surface. For this reason the Government agreed to bear the initial cost, and half the cost of replacement and upkeep in respect of free vessels. In respect of requisitioned vessels they agreed to bear the whole cost, on the ground that the financial benefit of greater safety accrued not to the shipowner but to the State. The same argument was applied to protective painting. During 1915 the Admiralty had undertaken the painting in neutral grey of all ships on Government service, and when 'dazzle-painting' became compulsory in

<sup>1</sup> The total number of merchant vessels fitted for defensive armament during the war was 5,887, of which 1,784 were sunk.

<sup>2</sup> Defence of the Realm Regulation, 37c, 14 April 1917. By the end of November 1918, 2,737 vessels had been fitted with otter or paravane gear.

December 1917,<sup>1</sup> the cost of painting requisitioned ships was still borne by the Government. In the same way, when the provision of a 'crow's nest' for mast-head look-outs became compulsory in November 1917, the cost was borne by the State in respect of requisitioned ships; by the shipowner in respect of free vessels.

A different policy was adopted with regard to the installation of wireless apparatus. When such apparatus was installed by desire of the Transport Department the cost of installation and upkeep was borne by the State; but when the equipment of all steamers of 3,000 tons gross and up, and later of all steamers of 1,600 tons and up, became compulsory under the Defence of the Realm Regulations,<sup>2</sup> these payments ceased, and owners were left to bear the cost. The reason here was, presumably, that the installation of wireless was regarded as desirable, not only for war purposes, but for other reasons.

The Government's financial interest in the safety of requisitioned vessels arose, of course, from their liability, under the Blue Book terms, to compensate the owner in the event of a loss by war perils. As to this liability there was no dispute; but many questions arose in connexion with it that were not solved without difficulty and occasional friction.

In the first place, while the hire of a requisitioned ship ceased automatically as from the date of loss, and the Government's liability to pay compensation depended on the loss being due to war risks, neither the date nor the cause of loss could always be definitely ascertained. The fate of many ships, no survivor of whom ever reached the land, went to swell the long list of unrecorded tragedies of the sea. In such circumstances hire was paid, in accordance with commercial practice, to the last date on which the vessel had been seen; but no such conclusive evidence could be produced to settle the question of liability for compensation.

The Blue Book itself recommended that, where the cause of loss was unknown, a war risk should be presumed; but it was the official view that this presumption could only be accepted when the

<sup>1</sup> Amendment of 21 December 1917 to Regulation 37c. Dazzle-painting was first introduced in September 1917, and down to the end of October 1918, 2,719 merchant vessels had been so treated.

<sup>2</sup> Regulation 37B, 28 July 1917, amended 23 October 1917.

marine underwriters could show a strong *prima facie* probability against loss by perils of the sea. This view, however, was somewhat shaken by the decision of the Courts in actions taken on marine policies. In these decisions a broad, common-sense view was taken of the indications as to probable cause of loss afforded by the weather, the presence or absence of dangerous cargo, and the Admiralty reports as to the areas in which submarines were operating.

After the outbreak of unrestricted submarine warfare these doubtful cases became very numerous, and on the initiative of the Chairman of Lloyd's a 'Missing Ships Agreement' was negotiated in November 1917 to provide for their settlement by arbitration. Both under this agreement, and in some cases previously settled by arbitration or direct negotiation, the method adopted was to share the liability between the State and the underwriters in accordance with the balance of probabilities. That is to say, if the odds were about three to one that the loss was due to war perils, the State would bear 75 per cent. and the underwriters 25 per cent. of the liability.

Even when the facts were known, the question of liability was not always easy to determine. Provided the loss was due to war risks, liability was accepted by the State even when the loss arose through default of the Master, if without privity of the owner, since, the cause being a war risk, the owner would have no remedy under his policy of marine assurance. It was the definition of war risks that gave rise to dispute.

In some instances the loss was clearly due to a combination of war and marine perils. An excellent illustration is provided by the loss of the *Ikaria*, a 'free' ship, torpedoed in the Channel in January 1915. Although seriously injured the *Ikaria* was able to put into Havre, but was subsequently wrecked in the harbour, through taking the ground at low tide. The underwriters claimed that she was lost by war risk, and the Courts upheld their contention, on the ground that stranding would not have resulted in disaster but for the injury done to her bulkheads by the torpedo, and that the war peril was thus the 'proximate cause' of loss. This principle of 'proximate cause' was followed in respect of requisitioned ships.



Greater difficulty was presented by another class of casualties in which the loss was clearly due to war conditions, but not directly to enemy action. Here the principle followed by the English Courts, and accepted by the Transport Department, was to treat the casualty as a war risk if it arose from a cause incident to active operations or immediate anticipation of attack ; but not otherwise. Thus the Courts treated as a war risk the loss of a steamer sunk by the French battleship *Suffren*, while steaming at night, without lights, during the evacuation of Gallipoli ; but regarded as marine risks casualties due solely to the result of obscuring navigation lights in compliance with Admiralty instructions, or the extinction of shore lights for defensive purposes. If a ship ran ashore or collided with another while zigzagging in the ordinary course of navigation, or through unnecessary apprehension of a 'suspicious object', her loss was regarded as a marine risk ; if the casualty occurred while zigzagging to escape the attack of a submarine, known or reasonably presumed to be present, the State accepted liability.

When liability had been definitely proved, there still remained the question of amount. The compensation payable under the Blue Book was the 'ascertained value of the vessel at the date of loss'. There were some who contended that the 'ascertained value' should be construed as the original cost of the vessel less depreciation, taking no account of the increase in the market values during the war. This, however, was certainly never contemplated when the terms of requisition were agreed ; nor would any Court or arbitrator have adopted any other basis than the current market value of the vessel—the loss which the owner had, in fact, sustained. That value was usually agreed with the owner as the result of direct negotiation, based on expert valuation. In the later stages of the war, however, the Ministry of Shipping tended to base their offers on the precedent of former settlements, rather than on outside valuations. All through, many shipowners strenuously contended that departmental pressure was exercised to make them accept less than the real market value of the ships, and it will be remembered that, under the Liner Requisition Scheme, the lines declined to accept 'ascertained values' as an equivalent of the specific values for which they had previously



insured. On the other hand, it must be remembered that the resort to arbitration was always open.

In the early days of the war the main difficulty lay in the disparity between the earning powers, and consequently the values, of 'free' and requisitioned ships. The Transport Department contended that compensation was payable on a strict requisition basis; but the possibility of release was a contingency which, at that time, could logically be taken into account by an arbitrator, and the Department frequently conceded something more than their own estimate of the requisitioned value. From the beginning of 1917 the position altered, as the Ministry of Shipping could now say definitely that every requisition was for the period of the war, and the question was finally determined by the case of a collier sunk in June 1917. The claim went to arbitration, and the umpire awarded £28,500 on the basis of requisitioned value. He was asked to state a special case for the purpose of enabling the point to be tested in the Courts, and for this purpose estimated the 'free' value at £44,500. The Court, however, upheld his original decision.

Injury due to war risk was treated on the same lines as loss, and compensation was paid 'on the ascertained value of such injury'. Further, the payment of hire was continued, less the estimated amount of running expenses saved to the owner while the ship was off service for repairs. In theory, the Department repudiated any legal liability for hire during the period of inefficiency; but in view of their double responsibility as charterers and war risks underwriters, they appear to have felt that this contention could not be sustained in practice.

When the damage was serious, requiring lengthy repairs, the liability thus accepted was substantial, and it was sometimes more economical to accept liability for a 'constructive total loss' than to continue the payments; that is to say, the State took over the damaged vessel in its existing condition, on payment of the ascertained value at the date of the casualty, with interest to date of payment, and any hire paid since the former date was refunded by the shipowner, or credited as an instalment of the ascertained value. A notable instance was that of a ship, torpedoed and beached early in 1916, which was still unsalved twenty-seven

months later. By that time over £100,000 had been paid in hire ; but the shipowners, on being approached by the Ministry of Shipping, agreed to a compromise, by which they abandoned the ship on very reasonable terms. On the few occasions when owners objected to the Ministry's proposal that a vessel should be treated as a constructive total loss, they were reminded that the Department acknowledged no legal liability for the payment of hire during inefficiency.

When abandonment of a damaged vessel was tendered by the shipowners themselves, the offer was considered on ordinary business lines. If the estimated cost of hire and repairs exceeded the ascertained value of the ship, or if she could be repaired for Government service at a smaller cost than that of reconditioning in accordance with Blue Book requirements, the offer was accepted.

In the event of inefficiency for a period exceeding twelve hours arising from any cause other than war peril, the payment of hire ceased automatically, except in respect of armed merchant cruisers and other vessels requisitioned on net charter terms. A similar period of twelve hours was allowed for the compulsory dry-docking. At the end of this period the ships were placed off pay.

There were times when this provision bore hardly on the owners, as when ships were held up through desertions in United States ports, or when dry-docking was delayed, through no fault of the owners, by reason of the pressure on repair facilities. In the former instance no concession was made. The dry-docking question was compromised by allowing the continuance of hire when, and only when, the delays were attributable to the priority accorded to His Majesty's ships.

All through the war, 'off-pay' continued to give rise to numerous disputes. There were many border-line cases where inefficiency was caused partly by war and partly by marine perils, or by abnormal conditions that did not fall within the strict legal definition of war risks. To deal with such cases the Controller set up an Off-pay Committee under Sir Frederick Lewis, which was successful in removing a good deal of the soreness arising from the treatment of this question. One notable concession was the continuance of hire during half the period of disability caused

by sending ships to infected ports during the influenza epidemic of 1918.

Apart from its wisdom as policy, the greater elasticity shown under the Ministry of Shipping in the treatment of off-pay, extraordinary out-of-pockets, and other questions, was justified by the development of abnormal conditions which could not have been foreseen in 1914, and which rendered the provisions of the Blue Book far more unfavourable to the owners than had been intended or anticipated. A further effect of these conditions was to reduce considerably the actual value of the Blue Book rates of hire.

The original scale, as we have seen, was conceived on a generous basis which allowed for a rise in running expenses, and when the tramp rates were revised in March 1915, it was a term of agreement that the rates then fixed should apply for the duration of the war.<sup>1</sup> The actual increase, however, surpassed anything that could reasonably have been anticipated in the spring of 1915. It is true that bunkers, loading and discharging costs, and wages in excess of the 1914 level were for Government account; but the increased cost of victualling, deck and engine-room stores, equipment, ballast and water (when provided by the owner), running repairs, dry-docking, and incidentals ate away a large part of the owners' remuneration.

A still larger item was the increased cost of marine insurance, and there were those who held that in respect of this item, at least, the owners deserved no consideration, since the increase was mainly due to the appreciation of capital values. This distinction is illogical. Whether such unearned increment should be taxed on the sale of a ship was an entirely separate question. However that question might be answered, the fact remained that, in view of the increase in replacement costs, no prudent owner could afford to insure his ship for much less than current market value. In these circumstances there was no valid reason for distinguishing between marine insurance and other running expenses affected by war conditions.

Towards the end of 1917 the Chamber of Shipping approached the Controller with a request for the reconsideration of the Blue Book Rates, and as a result of their representations he

<sup>1</sup> See p. 118, *supra*.



agreed to a joint investigation by two accountants, appointed respectively by the Ministry and by the Chamber, into the actual remuneration afforded by the current rates. The report of these investigators proved, conclusively, that the owners of some requisitioned vessels were sustaining an actual out-of-pocket loss, and that the margin of profit remaining to many others was unreasonably small.

While the shipowners were, of course, bound by the terms of their bargain, it had clearly never been contemplated that the owner of a requisitioned vessel should be deprived of reasonable remuneration, so long as he fulfilled his obligations, and after some negotiation, the Controller agreed, in May 1918, to a revision of the tramp rates, which took effect from 1st March of that year. The new scale showed increases varying from about 23 per cent. for the largest tramps, to 48 per cent. for vessels between 300 and 400 tons, and were intended to give an average return of approximately 10 per cent. on *ante-bellum* first costs, allowing for running expenses as on 1st January 1918. A special scale was subsequently issued for tramps requisitioned on net charter, and new arrangements were made with regard to payment for deck spaces enclosed and utilized for cargo by authority of the Controller. The hire paid for requisitioned liners, or credited in respect of ships on Liner Requisition, remained unchanged; but the concessions with regard to deck spaces were applied to liners and coasters as well as to tramps, and were made retrospective, for those classes, as from 1st October 1917.<sup>1</sup>

Even with these additions the Blue Book rates compared very unfavourably not only with the rates paid to chartered or requisitioned neutrals, but with the remuneration granted by the French and American Governments to the owners of requisitioned ships. A tramp of 6,000 tons dead-weight capacity received, under the revised scale, 14s. per gross ton per month, the equivalent of about 8s. per ton dead-weight. The standard rate for neutrals of the same size chartered by the Inter-Allied Chartering Committee was 40s. 6d. per ton dead-weight, war risk for charterer's account. Even requisitioned neutrals, on which all running expenses were paid by the Government, received 35s. per dead-weight ton. The

<sup>1</sup> *Chamber of Shipping, Annual Report, 1917-18, pp. 28-9; 1918-19, pp. 22-6.*



American requisition rate for a 6,000-tonner was \$6.50, with a bonus for speed in excess of 11 knots.

The Liner Requisition Scheme, on its administrative side, worked smoothly from the first. The Conference Committees did their utmost to make it a success, and the Established Lines in general fulfilled both in the letter and in the spirit their undertaking to run the ships 'with as much zeal and care as if their own interests were still involved'.

On the financial side, the interpretation of the Heads of Arrangement gave rise to many difficulties. It had been arranged, for instance, that the cost of fulfilling the owners' obligations to keep their vessels in a state of thorough efficiency, as regards hull and machinery, should be deducted from the organization charges payable by the Government; but the proportion attributable to such costs proved very difficult to determine. Eventually, the matter was settled by estimating them at a flat rate of 1*s.* 3*d.* per gross ton per annum.

Again, the agreement provided for payment of all usual remuneration to third parties for management, agency, and brokerage services; but in many instances managing owners were in fact, though not in name, identical with the shipowning company, and the terms of contract included an element of profit as well as of remuneration. Each such case had to be examined and dealt with on its merits; the maximum third-party management commission being fixed at 8½ per cent. on standard freights.

Minor questions of accountancy gave rise to endless disputes. In a few instances the voyage accounts, as certified by the auditors, debited the Government with charges for which they were clearly not liable; but the majority of the disputes were probably due to honest differences of opinion in interpreting the complex financial provisions of the scheme.

What the Ministry of Shipping complained of most was the delay in rendering voyage accounts, and there was a disposition to attribute this delay, in part at least, to dislike of the scheme by some of the lines. It is only fair, however, to remember that the accounting system under the scheme was extremely intricate, and that the office staffs of the lines had been greatly depleted during the war. For those companies, especially, which were managing

large numbers of diverted vessels, State-owned ships, and requisitioned neutrals, in addition to their own fleets, the necessary office work involved a heavy strain on the staffs, and it is not surprising that they found a difficulty in coping with it. There was, perhaps, as much justice, or injustice, in the complaints made by the shipping companies of delay in passing accounts.

## CHAPTER XIX

### PROFITS AND REPLACEMENT

THE revision of Blue Book Rates at the beginning of 1918 was the more necessary inasmuch as the Finance Act of 1917 had introduced a new principle in the taxation of shipping profits. When the Excess Profits Duty was first introduced, provision was made for adjusting its incidence over the whole period of the war, so that if a year in which large excess profits were made was followed by one in which the earnings fell short of the datum line, the taxpayers could demand that an average should be struck, the necessary adjustments made, and a proportion of the previous year's taxes refunded. It is, indeed, notorious that in industries other than shipping, large refunds of Excess Profits Duty assisted many companies through the difficult period of *post-bellum* deflation. By Section 19 of the Finance Act of 1917, the shipowner, and the shipowner alone, was excluded from the benefit of the 'One Account' for Excess Profits. In each year in which Excess Profits were made he was to pay the full percentage, and no adjustment was to be made in subsequent years, when profits diminished.

The defence put forward by the Government for their action was that the datum line originally adopted gave the shipowners an accidental advantage, as the years chosen were a period of unusual prosperity for shipping, and that shipping profits were, in fact, much greater than those of other industries. Even granting these facts, it is doubtful whether they could be held to justify so unusual a departure from constitutional practice as discriminatory taxation of a particular industry.

Moreover, the abnormal profits of 1915 and 1916 were now a thing of the past. The significance of Section 19 lay in the fact that it was introduced at a time when the policy of universal requisition had been introduced for the express purpose of restricting the shipowners' earnings to a minimum. In the debate

on the clause the Chancellor of the Exchequer quoted, from his own experience as part owner of four small steamers which had escaped requisition, figures which were widely circulated and accepted by the public as a criterion of current shipping earnings ; but not only were those figures exceptional even for 1915-16, they bore no kind of relation to the prospective average earnings under the new régime.

So strong was the criticism, not only from the shipowners in the House but from others, that it was said on good authority that the section would unquestionably have been defeated had not the Government intimated that they regarded it as an essential with which the Finance Bill as a whole must stand or fall. As it was, the utmost concession that could be obtained was that, if any shipowner had made an actual loss, or if his profits fell below the point of liability to duty had the percentage standard been adopted instead of the datum line, an adjustment might be made in respect of such loss or deficiency.<sup>1</sup>

The chief significance of the decision lay, of course, in its relation to the problem of provision for replacement costs. The gravity of that problem had been increased by the adoption of the State ship-building programme and the prohibition of laying down ships for private account. This meant that the heavy tonnage losses suffered by owners during the unrestricted submarine campaign would have to be made good by purchase or new construction after the war, and we shall see that they were in fact made good at prices exceeding even those of the war period. Meanwhile the British shipowners' foreign competitors, Japanese and neutral, were able, after paying abnormal dividends, to set aside for new construction huge sums out of their comparatively unrestricted earnings.<sup>2</sup>

Throughout 1917 and 1918 the problem of replacement was,

<sup>1</sup> Two important concessions were also obtained from the Inland Revenue Authorities with regard to depreciation allowance for taxation purposes. First, the depreciation on a second-hand steamer was to be calculated for Income Tax (not Excess Profits) purposes on the actual cost to the purchaser instead of on original cost. Secondly, for both purposes, the rate of depreciation was to be calculated from 6 April 1917 at 6 instead of 4 per cent. for the remaining period of the war (see *Chamber of Shipping, Annual Report, 1918-19*, pp. 40-5.)

<sup>2</sup> Apart from the fact that neutral earnings were far higher than those of British ships, the compensation paid for the loss of neutral steamers requisitioned or time-chartered by the Allies was based on values far above those of British ships.



indeed, the dominant factor in shipping, and more particularly in liner finance. The cost of building rose steadily throughout 1917 and very rapidly in 1918. In the latter year it reached £30-£34 per ton gross for cargo liner tonnage, and the average cost of replacing the liner losses in all classes could not be estimated at less than £45 per ton—two-and-a-half times the normal cost in time of peace. So early as October 1917, the Liverpool Steam Ship Owners' Association estimated that the cost of replacing their members' lost tonnage, providing for the expansion of the fleets at the normal rate of increase, and reconditioning the vessels after the war, would exceed by some £47,000,000 the amounts received from underwriters or the State in respect of losses.<sup>1</sup> This estimate was, admittedly, very rough; but it gives some indication of the importance of the problem, and the necessity of the large reserves accumulated by the lines in 1915-16.

For cargo-boat owners also, the question of replacement was serious. In 1918 the average cost of building tramp tonnage rose to £23 or £24 per deadweight ton, more than three times the pre-war level, and for forward contracts even higher prices were quoted. At the end of 1917, before the curve had reached its apex, it was estimated that one company which had recovered £279,000 in respect of losses would have to expend £410,000 in replacing those losses with vessels of equivalent type. In another instance £109,000 would have to be provided out of earnings; in a third, £187,500. A larger company, which had accumulated £805,000 out of insurance, the sale price of vessels disposed of, and sums transferred to depreciation, would need a further £800,000 to build the equivalent amount of new tonnage.<sup>2</sup>

To anticipate a little, it may be stated that an estimate prepared some two years after the war showed the probable actual cost of replacing all vessels, liners and tramps, sunk during the war, as exceeding by about £135,000,000 their insurable value at the time of loss. It was the necessity of preparing for this strain and for the overhauling of fleets and organization with a view to *post-bellum* competition that made exclusion from the 'One Account' so serious a matter.

It was, of course, the frightful havoc wrought by the sub-

<sup>1</sup> Cd. 9092, p. 136.

<sup>2</sup> *Fairplay*, 3 January 1918, quoting Mr. W. J. Noble.

marines during 1917 and 1918 that swelled the figures of losses to such gigantic totals. That havoc had also its direct reflection in a great advance in the cost of war risk insurance.

Even prior to the radical change made in the basis of the State Insurance Scheme in August 1917, the increasing rates of loss led to a successive advance in voyage premiums from 1 per cent. to  $1\frac{1}{2}$  per cent. on 19th March 1917, and  $2\frac{1}{2}$  per cent. on 23rd April, twice as much being charged for a round voyage or a 91 days time policy. Even these advances, however, were insufficient to prevent a rapid increase in the deficit, and this deficit, so far as the 20 per cent. interest of the War Risks Associations was concerned, had to be met by calls on their members. Still heavier calls were made by the subsidiary Excess Values Associations which had been formed to insure the difference between the values approved for the purposes of the State Scheme and the actual current value of the ships.

When a ship came under requisition, the Associations ceased, of course, to be liable for any part of the hull risk, which became a liability of the State under the Blue Book terms; but with a view to spreading the incidence of risks, the clubs had maintained the practice of requiring members to enter their whole fleets, and the owners of requisitioned ships were thus liable for calls in respect of losses under the State Scheme.

Down to February 1917 the total calls made by the clubs amounted to an average of about £3 10s. per cent. on the original entered values; but with the outbreak of unrestricted submarine warfare, the losses became very heavy. Between 10th February and 19th August 1917, the calls made by the clubs, including the Excess Values Associations, gave an average of about £10 per cent. on 'free,' and £2 10s. per cent. on requisitioned tonnage, of which one-third was attributable to losses on Government values, and about two-thirds to losses on other lines. In these circumstances, the owners of several requisitioned vessels claimed a refund of the calls levied upon them as 'extraordinary out-of-pockets'; but the Controller refused the claim, on the ground that the manner of adjusting the incidence of the calls was a matter for the Associations themselves, with which the Government had no concern.

From 20th August 1917, as will be remembered, the partnership between the State and the War Risks Associations came to an end. The ships were still entered in the clubs, and the clubs continued to bear the working expenses of the scheme and to be responsible for its administration ; but all premiums went into the coffers of the State, and the State alone was responsible for all losses, both on original and excess values. This break in the partnership was accompanied by a complete change in the policy of the Board of Trade with regard to premiums. Hitherto, these had been fixed at a flat rate for all voyages, and the rates fixed were considerably below those justified by the risks. Now the time premium for ships under Liner Requisition was raised at a jump from 5 to 9 per cent., and for all free vessels differential voyage premiums were fixed, according to the estimated risk. Moreover, these premiums, which ran up to as much as 9 or 10 per cent. in the more dangerous trades, were fixed, like the 9 per cent. time premium, on an actuarial basis. In fact, the working of hull insurance from August 1917 to the Armistice yielded the State so large a profit as not only to wipe out the deficit previously incurred, but leave a handsome surplus as the result of the State's operations since the outbreak of war.<sup>1</sup> On the other hand, the Liverpool and London War Risks Association alone was compelled to provide for a deficit of £1,480,000 on Government values, and £6,230,000 on Excess Values, incurred prior to August 1917.<sup>2</sup> In face of these facts, it is a little surprising that the State Insurance Scheme should still, at times, be described as a free gift to the shipowners.

The actual earnings of British shipping during 1917-18 are, as usual, very difficult to ascertain. Freight quotations cease, of course, to have any real relevance. The markets were exceedingly narrow, and the enormous freights occasionally quoted were earned only by Japanese or neutral ships. For the great majority of British owners, freights had ceased to have any real meaning. Whatever rate was charged to the shipper, they received only the Blue Book hire.

The policy of the Ministry of Shipping with regard to freights has been very adversely criticized. While the rates charged to

<sup>1</sup> The *Preliminary Statement of Results*, Cmd. 98, shows a profit on hulls of British ships amounting to £16,000,000.

<sup>2</sup> *Report for the Insurance Year ended 19 February 1919.*



Government Departments for Government imports were on a Blue Book basis, the freights charged to private shippers for such commodities as were still uncontrolled were often much higher than had been charged by the owners prior to general requisition. For instance, the freight on tea from Calcutta to London was increased on 1st October 1917 from 75s. to 270s. or 300s. per ton. The average freight on cotton from Gulf ports went up from 0.8d. per lb. in the twelve months ended 31st July 1916 to 3.12d. per lb. in 1917-18; mixed cargo rates from United States Atlantic ports were 230s. in December 1918, as against 60s. in May 1916; and the average outward freights to Australia, Calcutta, and Cape ports rose from 115s. 5d., 42s. 3d., and 76s. 5d. respectively in December 1916 to 143s. 6d., 100s., and 116s. in December 1918. Other instances could easily be multiplied. Moreover, the years 1917-18 saw a big rise in the majority of the Government rates themselves.<sup>1</sup>

It is hardly to be wondered at that shipowners, with a memory of the strictures passed upon them, were not slow to raise the cry of 'profiteering' against the Ministry. The official reply was that the new Government rates were fully justified by the increase of running costs, especially war risks insurance, and that so far as private cargoes were concerned, there was no object in charging less than the market freight on uncontrolled commodities, as the only result would be to give additional profit to the merchant without benefiting the consumer. In short, the Ministry's policy was to charge actual cost on controlled, and market rates on uncontrolled commodities.

In principle this defence was absolutely sound, though the shipowners may be excused for pointing out, with some gusto, its bearing on past controversies. The one point that seems a little doubtful is how far 'market' rates could be said to exist in the conditions of 1917-18. There was certainly some ground for the suspicion that the rates on private cargo were, at times, arbitrarily fixed with the object of subsidizing Government imports, or swelling the revenue. A case might, of course, be made out for either policy.

<sup>1</sup> *Fairplay*, 8 November 1917; *Chamber of Shipping Annual Report*, 1918-19, pp. 77-8; *Liverpool Steam Ship Owners' Association, Report for 1918*, pp. 37-8.



In any event, the freights on shipments in requisitioned vessels or vessels under Liner Requisition did not concern the shipowner, and even the vessels that did not fall under these categories were nearly all plying at limitation rates, the profits from which were largely diminished by the increase in running expenses. That increase as compared with 1914 was given as follows, at the end of 1917, for three typical steamers : <sup>1</sup>

s.s. tons gross	Increase per day	Increase per month		Increase per ton per month	
	£ s. d.	£	s. d.	s. d.	
1,590 . . . . .	30 7 0	910	10 0	11	6
3,400 . . . . .	37 14 0	1,131	0 0	6	8
4,000 . . . . .	62 16 0	1,884	0 0	9	5

As regards ships under full requisition, it will be remembered that the revision in Blue Book Rates did not come into operation until March 1918. Their effect, at the end of that year, was estimated by the Chamber of Shipping to give a return of 10 per cent. on the current value of a medium sized cargo-boat, *before* providing for overhead charges, depreciation, and taxes.<sup>2</sup>

One effect of this restriction on earnings, coupled with the heavy losses of tonnage, was to accentuate the tendency towards transfer of ships and amalgamation of interests, so marked in 1916. With profits restricted by universal requisition, heavy taxation, and increasing expenses, many owners were glad to realize and invest outside the industry the high prices which the scarcity of tonnage extorted from the big liner companies, and

<sup>1</sup> Mr. W. J. Noble's figures from *Fairplay*, 3 January 1918.

<sup>2</sup> *Annual Report*, 1918-19, p. 78. The calculation given is as follows, with comparative figures for a Norwegian steamer of the same type, namely, 4,000 tons d.w., or 2,400 gross, built in 1905.

	British £	Norwegian £
Time-chartered earnings per month . . . . .	1,980	9,300
Outgoings . . . . .	1,140	1,800
Gross profit . . . . .	840	7,500
	£	£
Current market value . . . . .	100,000	150,000
Annual profit . . . . .	10,080	90,000
Percentage on value . . . . .	10	60
Profit per d.w. ton per month . . . . .	4s. 2d.	37s. 6d.

British rate 16s. 6d. per ton gross ; Norwegian 46s. 6d. per ton d.w. Outgoings for British ship are less excess wages, &c., paid by Government.

from cargo-boat owners who were anxious to keep their fleets in being. No objection, generally speaking, was made by the Controller to the transfer of ships from one British owner to another ; indeed it often suited the Ministry of Shipping very well to be relieved of responsibility for the management of vessels, by their transfer to an Established Line, and thus from ordinary to Liner Requisition.

Among the more important deals concluded in 1917 and 1918 were the acquisition by the P. & O. Company of the Union Steamship Company of New Zealand, the Nourse Line, and the Mercantile Steamship Company. Messrs. Furness, Withy & Co. acquired, among other vessels, fourteen steamers from Messrs. Robert Gardiner & Co. Sir Owen Phillips took over the fleets of R. MacAndrew & Co., and Powell, Bacon & Hough, and secured a controlling interest in the Argentine Steam Navigation Company.

The prices paid in these transactions were naturally very large, for the market was restricted in the absence of new private construction, and the demand was often urgent. The merger of the Union Company in the P. & O. was effected by an exchange of shares which gave the vendors the equivalent of £3 for each £1 share. The cargo-boat companies were acquired on still higher terms. The price paid to the Mercantile Company—a very well-managed and prosperous concern—was £32 for each £5 share. The £10 shares of the Hain Company, who had a large business as shipbrokers as well as managers, had been recently quoted at 34½ ; the merger was effected at £80 a share. In absorbing the Knight Steamship Company, Messrs. Alfred Holt were reported to pay about £600,000 for four steamers standing on the books of the vendors at £80,321 ; Messrs. Robert Gardiner's vessels realized £18 6s. per ton dead-weight ; the fleet of the Fargrove Steam Navigation Company realized £15 6s. 7d. per ton dead-weight on their sale to Mr. J. C. Gould.<sup>1</sup>

There were, as we have seen, good reasons for permitting these sales ; but their tendency was, in many ways, regrettable. It was, indeed, essential that the big lines should be able to maintain their services ; but the disappearance of so many smaller lines and old-established cargo-boat companies accentuated the concentration

<sup>1</sup> *Fairplay*, 25 October 1917, 3 January 1918.

of tonnage in a comparatively few hands and deprived the industry, for a time at least, of the services of many experienced owners of a type that had contributed much to its development. Moreover, while the prices paid frequently left the buyers dangerously over-capitalized in view of a probable *post-bellum* slump, they encouraged, at the time, the feverish speculation in shipping shares which had developed during the shipping boom of 1915–16. It was the rumour of approaching absorption which forced up the £10 shares of the Pyman Steamship Company from £24 to £46 10s. in a single fortnight.<sup>1</sup>

A feature of several of these transactions was the demand by managers of large sums as compensation for loss of management remuneration, running up to as much as £250,000 in the case of a single company, the original share capital of which was only £280,000. On these demands *Fairplay* commented severely, holding that, while managers were justified in accepting voluntary offers of compensation, there was an element of blackmail in refusing, without payment, to carry out their obvious duty to the shareholders by accepting an advantageous offer.<sup>2</sup>

It was mainly the demands of the liner companies that kept up the price of second-hand tonnage ; but during 1917 there was also a brisk demand for both steamers and sailing vessels suitable for the coasting trade, where profits were not subject to the Blue Book restrictions. The first effect of universal requisition in the ocean trades was, naturally, to check the rise in values, and at the end of 1917 the estimated price of the new, ready 7,500-ton cargo-boat stood at about £22 per ton, £3 below the level of the previous December ; but by the middle of 1918 it was up again to £24. The actual average market value of second-hand tonnage, as indicated by the sales, stood little below this figure, and the huge profits realized on the transfer of ships led to a renewal of the demand that such transactions should be brought within the scope of the Excess Profits Duty. The Controller, however, consistently opposed any such measure unless it were applied also to other forms of capital appreciation.

Turning from values to profits, the actual earnings of the

<sup>1</sup> *Fairplay*, 25 October 1917.

<sup>2</sup> See e. g. *Fairplay*, 12 December 1916, 19 April 1917, 3 January 1918.

majority of the liner companies are, as usual, impossible to ascertain from the published accounts. Those of the Oceanic Steam Navigation Company, which continued to publish fuller information than most of the lines, stood about half-way between the average of the years 1912-13 inclusive, and the average of 1915-16. They had, however, frequently been exceeded in earlier periods. This, however, was an exceptionally prosperous concern. The dividends it distributed in 1918 and 1919 amounted to 20 and 17 per cent. respectively on the paid-up capital, while the average for the lines included in the *Fairplay* table was under 13 per cent. in both years. Further, while the liner dividends were approximately equal to those distributed in respect of the earlier war years, it is certain that they were only in part paid out of current earnings. A large proportion of the money was provided by interest on investments, representing the accumulated surplus of previous years, and the amounts received in compensation for lost tonnage which could not yet be replaced.

The cargo-boat company dividends, as shown in *Fairplay*, gave a slightly lower return than those distributed by the lines, and much below the previous war level. Moreover, the amount transferred to depreciation did not exceed the 5 per cent. minimum. Here, too, there is little doubt that a large part of the dividends came from interest on investments, rather than from current trade earnings. Including such interest, the percentage of profit, less 5 per cent. depreciation, on book values, amounted to 7.59 per cent. in 1918 and 10.56 per cent. in 1919.



## CHAPTER XX

### THE WAR RECORD OF BRITISH SHIPPING

ON 15th November 1918, four days after the signature of the armistice between Germany and the Allied and Associated Powers, the Admiralty addressed to the various associations representing shipowners and personnel, a letter expressing the admiration of the Royal Navy for the incomparable services rendered by the Mercantile Marine ; for the indomitable courage with which the submarine menace had been met, and the ability, loyalty, and technical skill displayed by Masters, officers, and crews in carrying out Admiralty regulations and ensuring the success of the convoy system. On the same day the Shipping Controller conveyed to the Chamber of Shipping and the Liverpool Steam Ship Owners' Association his thanks for the unstinted support accorded to him, the readiness with which every sacrifice demanded from owners had been made, and the zeal with which they had worked, after all financial incentive was removed, to develop the maximum carrying capacity of the ships.<sup>1</sup>

These tributes were deserved. Individual owners may, at times, have put profit before patriotism ; the seamen's grievances may, at times, have obscured their sense of the national peril ; but taken as a whole, the war record of the Mercantile Marine was one of extraordinary achievement, and it will not be irrelevant, before attempting to assess the effect of the war on British shipping, to sum up, very briefly, the contribution made by the shipping industry to the united war effort of the Allied and Associated Powers. By the extent of this contribution we may measure, to some extent, both the importance of British shipping in the world's transport system and the dislocation of economic life caused by the war.

In the first place, some reference must be made to the actual combatant services rendered by the Mercantile Marine. These fall under two heads : those performed by commissioned auxiliaries

<sup>1</sup> *Chamber of Shipping, Annual Report for 1918-19*, pp. 75-6, 82-3.

attached to the Royal Navy itself, and those incidental to discharge of the ships' more normal functions of transport and supply.

It must be remembered that, during the later stages of the war, every merchantman went armed. The ascendancy obtained by defensively armed ships over the submarine during 1916 disappeared to a great extent when the attack by torpedo, without warning, became the rule rather than the exception; but taking the war as a whole, between 400 and 500 ships owed their escape from destruction, in part at least, to the effective use made of their defensive armament. Armed or unarmed, every ship was exposed to attack, and it was only fitting that the Mercantile Marine War Medal should be awarded to all officers and men employed in the danger zone. In addition, many special awards and distinctions were well earned by those who had given proof of exceptional skill, courage, or endurance in saving their ships, either by the use of their guns, by clever manœuvring, or by stoical endurance of punishment while opening out the distance from their pursuer. Apart from awards and decorations officially bestowed, the Corporation of Lloyds, the great War Risks and Shipowners' Associations, and many individual owners and underwriters were quick to recognize the resource and endurance shown by officers and men, and in the summer of 1917 the Shipping Controller formed the Merchant Ships Gratuities Committee for the same purpose. The standard award by the Committee for saving a ship in circumstances making special demands on the skill and courage of the personnel was £100 to the master, and one month's wages to the officers and men.<sup>1</sup>

These services were rendered, these distinctions were gained, by men whose terms of engagement bore no reference to combatant duties, who were, indeed, bound by the regulations governing defensively armed vessels to avoid action unless it were forced upon them. There were, however, many merchant ships and merchant seamen serving under the White Ensign, with full combatant status, and engaged in offensive operations. Not only

<sup>1</sup> Other official distinctions granted were badges, bars, and stripes to the crews of ships torpedoed and mined; war service chevrons for each year of service in the danger zone; and the silver War badge to Masters, officers, and men retiring from service through wounds or illness caused by war causes. See Hopkins, *op. cit.*, pp. 94-5; *Chamber of Shipping, Annual Report for 1918-19*, p. 57; *Liverpool and London War Risks Association, Report for year ending 19 February 1919*, pp. 28-9, 41-3.

did the merchant service contribute, through the calling up of the Naval Reserves, and through direct enlistment, many thousands of men to supplement the crews of regular warships; it provided the Royal Navy with auxiliary services of the greatest importance. The vast organization of the Auxiliary Patrol, engaged in mine-laying, mine-sweeping, and submarine-hunting in Home Waters, made comparatively little demand on the ocean trades—yachts, pleasure-steamers, trawlers, drifters, and motor-boats made up the bulk of the force, and the crews were drawn mainly from the fishing and pleasure fleets—but many officers and men from deep-sea ships were to be found in its ranks. From the trading fleets were drawn the armed merchant cruisers that carried on the Northern Patrol and played so large a part in the provision of convoy escort and the police of the outer seas, and the armed boarding steamers by whom the duties of visit and search in narrow waters were performed. The ships were merchantmen, the majority of the officers and men were Naval Reservists or ordinary mercantile ratings. Moreover, the efficiency of the Grand Fleet itself depended largely on the work of the commissioned auxiliaries attached to it as fleet messengers, fleet sweepers, mine and seaplane carriers, and special service vessels.

It was for non-combatant services, however, that the Navy made the heaviest call upon the Mercantile Marine. The vast armaments by which the use of maritime communications was assured to Great Britain and her Allies and denied to her enemies depended for their power of movement and fighting efficiency on a continuous flow of coal, oil, and supplies to the bases at home and abroad and the squadrons at sea. The provision of fuel, in particular, made enormous demands upon shipping. In January 1915, there were no fewer than 395 colliers and 60 oil-tankers in naval service. As the proportion of oil-burning types in the Navy increased, the number of tankers rose steadily until, by November 1918, it reached 225; but the proportion of coal-burning ships remained large, and at the armistice there were still 283 colliers at work for the fleets. During the whole war the coal cargoes lifted for the Admiralty amounted to little short of 43,000,000 tons.<sup>1</sup>

<sup>1</sup> This figure includes coal dispatched to the overseas depôts and used for bunkering transports, and, latterly, all fully requisitioned ships, as well as warships.



Still greater was the strain of military transport. On no previous occasion in the world's history had oversea expeditions been attempted on a scale even remotely approaching that of the movement by which the whole strength of the British Empire was flung into the battle line, or by which the United States armies were, later, brought in to turn the scale. The Walcheren Expedition of 1809, described by Fortescue as 'incomparably the greatest armament that had ever left the shore of England', comprised 39,000 men of all arms.<sup>1</sup> Wellington's British forces in the Peninsula, sent out by dribblets, never much exceeded 60,000 men.<sup>2</sup> The original force landed in the Crimea comprised about 62,000 British, French, and Turks.<sup>3</sup> The South African War of 1899-1902 called for much larger oversea movements; but the total number of troops landed in South Africa, from the period of tension preceding hostilities to the conclusion of peace, was only 380,000, and the largest single movement, that of the Field Force in October and November 1899, was under 50,000. The number of animals shipped from all parts was about 460,000, and the bulkier items of supplies aggregated little over 1,000,000 tons.<sup>4</sup>

In 1914, the original British Expeditionary Force, landed in France between 9th August and 20th September, comprised 210,000 of all ranks, with 62,000 horses, and 100,000 tons of stores. By the end of that year, not only had all losses of the Expeditionary Force been made good and its strength increased to 230,000 men; the outlying garrisons had been brought home for service in Europe, and Territorial troops sent out to take their place; the first Canadian Contingent of 31,000 men with 7,500 animals had been brought to the United Kingdom; 30,000 Australians and New Zealanders with 12,000 animals had been landed in Egypt; from India, 68,000 men and 5,000 animals had been sent to France, 67,000 men and 15,000 animals to East Africa, Egypt, and the Persian Gulf.

Before the war was over the strength of the British, Indian, and Dominion forces in France had risen to 2,000,000; in all

<sup>1</sup> Hon. J. W. Fortescue, *A History of the British Army*, vol. vii, pp. 55-7.

<sup>2</sup> See 'States' in Napier and Fortescue.

<sup>3</sup> General Sir Edward Hamley, *The War in the Crimea*, p. 40.

<sup>4</sup> *History of the War in South Africa*, written by direction of His Majesty's Government, vol. iv, pp. 671-7; *The Times History of the War in South Africa*, vol. vi, pp. 241, 247, 293, 403-4.



theatres to 3,250,000, and these figures, it must be remembered, represented the total final strength, after allowing for all the frightful wastage of war, and for transfers from one theatre to another. In France alone, 5,400,000 men had, at one time or another, been employed under the British flag; in Egypt and Palestine, nearly 1,200,000; in Mesopotamia, 890,000. Nor had the services of British shipping been confined to the carriage of British troops. For the Salonika Expedition, 26 British ships, averaging over 5,000 tons gross, were lent to the French War Office. The movement of the Portuguese Expeditionary Force and of over 500,000 Belgians was arranged by the Transport Department direct. Nearly 950,000 American troops were brought to the United Kingdom in British ships; slightly over that number carried thence to France. Over 100,000 were landed by British ships in France direct.

Including all movements of troops, British and Allied, nurses, civilian staff, labour corps, prisoners, and refugees, from August 1914 to October 1918, the Transport Department had provided tonnage for 23,700,000 individual passages.<sup>1</sup> That is to say, the task of the Transport Department had been equivalent to moving, on a single voyage, one half of the total population of the British Isles, about a quarter of the inhabitants of the United States, or nearly twenty-four times the average annual immigration into the United States during the decade immediately preceding the war. Of these passages, 16,500,000 were between the United Kingdom and France; the remainder were oversea movements, mostly involving voyages of considerable length.

In addition to troops, the Transport Authorities had provided tonnage for the carriage of 2,200,000 animals and 500,000 vehicles.<sup>2</sup> The vehicles were mainly cross-Channel traffic; but two-thirds of the animals were carried on longer voyages. Still heavier was the task of supply. From the United Kingdom alone there had been sent to France well over 20,000,000 tons of munitions, supplies, and military stores. Including shipments from all

<sup>1</sup> These figures include sick and wounded and men going on or returning from leave. Men transferred from one theatre to another, or landed in the United Kingdom, and sent on to France or elsewhere, count once for each time they were embarked. The figures do not, however, include Allied troops carried in British tonnage placed at the disposal of Allied authorities and run under their management.

<sup>2</sup> Including guns.

sources and to all theatres, the total tonnage of military stores, and of those imports, such as military fodder, which were for direct account of the British and Allied War Offices, fell little short of 50,000,000 tons, the equivalent of a year's British imports in normal conditions. It must be remembered, too, that these figures, immense as they are, exclude entirely the bulk of the materials imported for the munitions industries, and that vast quantities of food-stuffs and other supplies, ultimately shipped from the United Kingdom for military use, were originally imported on civilian account.

How deeply British shipping was pledged to the support of the fighting forces—British and Allied—appears from the returns of the Allied Maritime Transport Council, which show that, on 31st October 1918, no less than 29·5 per cent. of the total available dead-weight tonnage under the British flag was in direct naval or military service. Or to approach the question from another angle, of the total tonnage in the naval and military service of the Allied and Associated Powers on that date, 58·6 per cent. was British ; 32 per cent. was American, and only 9·4 per cent. of the work was left to ships under all other flags.<sup>1</sup>

It was not, however, only by the transport of troops and military stores that British shipping contributed to the victory of the Allied cause. Not only did it maintain, through all the vicissitudes of the war, the food-supply of the United Kingdom, and such part of the general import and export trade as sufficed to equip the armies, to maintain a minimum standard of life for the civilian population, and to render supportable the financial burden of the struggle ; it performed for the Allies of Great Britain essential functions to the performance of which their own shipping was wholly unequal. From the beginning of the war, coal, cereals, munitions, and munitions materials were poured by British shipping, in ever increasing quantities, into the Allied ports. Over 11,000,000 tons of coal were carried to France, and 4,500,000 tons to Italy in British requisitioned ships alone. Of some 5,250,000 tons of coal and munitions received by Russia during 1916 and 1917, British shipping carried two-thirds. When France and

<sup>1</sup> These figures refer to steamers of 500 tons gross and up, excluding tankers and ships under repair. An allowance is made for space on Atlantic liners devoted to American trooping.

Italy began to import meat for the use of their armies they were almost destitute of insulated tonnage, and of 1,375,000 tons of meat purchased by those countries during the war, more than three-quarters was carried under the British flag. When the French and Italian harvests partially failed, in 1917-18, the deficit was made good by the diversion, during the months August-October 1918, of 2,000,000 tons of cereals in British ships, over and above all cargoes carried by tonnage previously in Allied service. Such neutral tonnage as could be procured during the later stages of the war was mostly allocated to the service of the Allies, and in October 1918, 90·8 per cent. of the shipping employed in carrying imports to the United Kingdom was British; yet even so, more than one-sixth of the available British tonnage was devoted to the import services of France and Italy. Of the tonnage in the French import service 45·4 per cent. was under the British flag; in the Italian service the proportion was 51·6 per cent. Together, France and Italy provided 1,700,000 dead-weight tons of shipping, for the purposes of their import trade; Great Britain provided 3,100,000 tons.<sup>1</sup>

It is no exaggeration to say that the possession by Great Britain of a mercantile fleet much larger than was required for her own minimum essential needs was, above all else, the decisive factor in the war. It was this alone that enabled British, Canadian, Australian, Indian, and South African troops to take their place on the Western Front; it was this alone that rendered possible the conquest of the German colonies and the operations in Gallipoli, Mesopotamia, Palestine, and the Balkans. By British ships one-half the American troops brought to Europe were carried. Without the assistance of British tonnage the European Allies could neither have supplied their armies with the material of war, nor fed their people, nor obtained the requisite fuel for their railways, ships, and essential industries. Whether we look at the magnitude of the achievement, or at the appalling waste involved in the diversion from productive to destructive activities, there is no more significant fact in the history of the war.

<sup>1</sup> See *Seaborne Trade*, vol. iii, pp. 474-6.

## CHAPTER XXI

### BRITISH SHIPPING AT THE ARMISTICE

THE services rendered by British shipping to the common cause had been rendered at heavy cost to the Mercantile Marine itself. Apart from the losses among merchant seamen serving under the White Ensign, no fewer than 14,661 officers and men of the merchant service and the fishing fleets had lost their lives, as the result of enemy action, while pursuing their ordinary avocations.<sup>1</sup> The total material losses inflicted on British shipping by submarines, mines, and raiders amounted to 7,759,000 tons gross, or 38 per cent. of the tonnage under the British flag in June 1914. Among steamers of 1,600 tons gross and upwards, classed in the Ministry of Shipping returns as available for ocean trade, the war losses, including ships interned in enemy ports, amounted to 7,530,000 tons, 43 per cent. of the 1914 tonnage. We have seen, too, that, owing to the conditions of war navigation and the deterioration arising from postponement of repairs, marine casualties were abnormally heavy during the later stages of the war. Although the number of voyages made during 1917 and 1918 was much below the normal, the tonnage wrecked in those years was twice as great as the average for the last three years of peace. Including marine casualties, the losses of ocean-going shipping amounted to 48 per cent. of the 1914 tonnage.<sup>2</sup>

It was no new thing for British shipping to suffer heavy losses in its task of maintaining sea-borne commerce. During the great Napoleonic struggle which began in 1803 and ended in 1814, it is estimated that at least 40 per cent. of the tonnage on the Register at its outbreak disappeared through capture or wreck. What was new in 1914-18 was the failure to replace the tonnage destroyed. Thanks in part to the capture of enemy ships, but in the main to new construction, the heavy

<sup>1</sup> The number interned in enemy countries or taken prisoners was 3,295.

<sup>2</sup> Appendix, Tables 4 and 5.



losses of the Napoleonic war were made good and much more than made good ; the tonnage on the Register in 1814 actually exceeded by 21 per cent. that of 1803.<sup>1</sup> A strange contrast is presented by the position in 1918. Of nearly 8,500,000 tons of ocean-going shipping destroyed, captured, or wrecked, during the war, less than half had been replaced by new construction in British yards, and after allowance has been made, on the one hand, for all war and marine losses and for ships transferred to the Royal Navy or to foreign flags, on the other hand, for all ships built or purchased, and for prizes brought into service, the tonnage available on 31st October 1918 was less by nearly 18 per cent. than at the beginning of the war.<sup>2</sup>

The effect of the war on the Mercantile Marine cannot, however, be so simply measured. In order to appreciate what that effect had been, it is necessary to compare the tonnage on the Register of the United Kingdom on 31st December 1918, as classified by size and age, with the similar returns for 1913.

The first effect of such comparison is to emphasize how heavily the war losses had fallen on ships of ocean-going size. The reduction in numbers among steamers under 500 tons gross was less than 2 per cent., for a large proportion of these vessels were confined to harbour or inland navigation. Steamers of 500 to 1,599 tons, mostly employed in the coasting and short-sea trades, had decreased in numbers by 13 per cent. In vessels of ocean-going size, the decline was no less than 25 per cent.

Even among ocean-going steamers, however, the reduction was very uneven in its incidence. All classes had suffered heavily, but the replacement effort had been directed mainly to the construction of comparatively large ships. It was almost entirely for the building of frozen meat ships, big tankers, and the larger freighters that Munition Certificates had been granted during the earlier years of the war, and of 181 standard steamers completed by 31st December 1918, only 65 measured less than 5,000 tons gross.

<sup>1</sup> See Professor W. R. Scott, 'Mercantile Shipping in the Napoleonic Wars,' in *Scottish Historical Review*, vol. xiv, Oct.-July 1916-17, pp. 272-5.

<sup>2</sup> See Appendix, Table 5. The losses in this table include a number of ships interned in German ports and afterwards recovered. On the other hand, the existing tonnage includes a number of requisitioned neutrals, subsequently restored.

In ships of the largest class, replacements had just failed to keep pace with losses, owing to the suspension of passenger liner construction ; but whereas the total number of ocean-going steamers had decreased by 951, in those between 5,000 and 10,000 tons there was an actual increase of 191. Vessels of 5,000 tons and upwards now comprised nearly half the gross steam tonnage on the Register, as compared with one-third in 1913. To some small extent, the reduction in the number of ocean-going vessels had been made good by an increase in the average size of the individual ship.<sup>1</sup>

It must be remembered, however, that the war had affected the type as well as the size of the ships. The only specialized types built in any large numbers were frozen meat ships and tankers. Even with the priority accorded them, the replacements had failed to make good the heavy losses of insulated tonnage ; but the number of large tankers on the Register was decidedly greater than in 1913. Were tankers excluded, the reduction in tonnage available for general trade would be seen to be still larger than is indicated by the figures given.

It was the construction of tankers and of freighters of simple type that accounted for the increase in steamers of 5,000 tons and upwards. The building of passenger liners and intermediate liners with large passenger accommodation had been almost entirely suspended, and the number even of cargo liners launched was comparatively small. Few of the standard steamers—good, serviceable freighters as they were—were really suited to the requirements of the liner trades ; they lacked even that degree of specialization which was more and more demanded before the war, by tramp owners.

These conditions tended to be stereotyped, for some years, by the State shipbuilding programme. Of the tonnage under construction at the end of 1918, 78 per cent. consisted of standard ships, and a large number of additional contracts were awaiting execution as soon as slips were available. These vessels, building or ordered, included nearly a hundred small steamers designed for coasting traffic, and about 40 of type 'G' and the other later designs, which were more or less suitable for the liner trades. The

<sup>1</sup> Appendix, Table 6.

remainder were mostly large ocean-going freighters of the simpler types.<sup>1</sup>

For the liner companies this was a very serious matter. Their losses had been extremely heavy. The Cunard Company, for instance, possessed before the war a fleet of 16 big liners of 8,000 tons and upwards used in their Atlantic services, and 9 smaller vessels on the Mediterranean run. During the war they added, mainly by purchase, 9 vessels to their fleet; but no fewer than 22 were lost by war risks or marine perils, and the net result was to leave them with 12 ships, only 6 of which exceeded 8,000 tons.<sup>2</sup> The Elder Dempster Line began the war with 101 steamers, lost 36 through war risks or marine casualties arising directly from war conditions, and finished with 58.<sup>3</sup> It was only by purchasing or chartering tramp steamers that the majority of the lines had been able to maintain their services at all,<sup>4</sup> and, while the proportion of tonnage under liner management had increased, that tonnage included many ships not very suitable to the requirements of the trade.

One result of the restriction on liner construction was a diminution not only in the actual number but in the proportion of the faster steamers—those capable of maintaining at sea a speed of 12 knots or over; but this was compensated by an increase in the proportion of moderately speedy ships, for the standard freighters, with their speeds of 10–11 knots, were faster than the majority of the cargo-vessels they replaced. In some other respects, too, the average efficiency of the ships had been increased as the result of war measures. All steamers of 1,600 tons gross and upwards

<sup>1</sup> Standard ships, built, building, or ordered at 31 December 1918.

	Completed	Building or ordered	Total
Tankers . . . . .	36	42	78
Freighters, 5,000 tons gross or over .	80	271	351
Freighters, under 5,000 tons . .	63	93	156
Coasters . . . . .	2	95	97
	181	501	682

<sup>2</sup> Hurd, *A Merchant Fleet at War*, pp. 10, 51, 118. These figures relate only to vessels acquired to make good losses in the original fleet and leave out of account the effect of amalgamations with other lines.

<sup>3</sup> *The Elder Dempster Fleet in the War*, Liverpool, 1921, pp. 6–7, 25.

<sup>4</sup> At one period the Union-Castle Line had only three small cargo-boats of their own left for employment in their regular services (*The Union-Castle Line and the War*, by E. F. Knight, 1920, pp. 6–7).

were now fitted with wireless,<sup>1</sup> and additional engine-room signals and other apparatus were installed in many ships for the purpose of facilitating navigation in convoy. Further, the war gave indirectly a great impetus to the use of the internal combustion engine and of oil fuel in the Mercantile Marine; though this did not take full effect until after the armistice.<sup>2</sup>

On the other hand, not only was the British Mercantile Marine after the war a less highly specialized, it was also an older fleet. In the crisis of 1917-18 everything that could float and steam was of national importance, but the ultimate effect of the Transfer Restrictions Acts was to leave British owners saddled with a considerable dead-weight of obsolescent tonnage. Owing to the number of large ships built during the war, the proportion of comparatively new tonnage—8 years and under—was about the same as in 1913; but at the other end of the scale, nearly 19 per cent. of the ocean-going tonnage was over 18 years old, as against 12½ per cent. before the war.<sup>3</sup>

Working on the figures for December 1919, when the bulk of the war programme was completed, Sir Wescott Abel, chief Ship Surveyor to *Lloyd's Register*, has calculated that the average age of steam and motor vessels at that date was about 2½ years greater than in 1913; but owing to the trend of war construction, the cargo ships of 5,000 tons gross and upwards were slightly younger than before the war. If the comparison is confined to the more efficient portion of the fleet—ships of 13 years old and under—the average age of the ships is only slightly greater, and that of the tonnage is slightly less, than in 1913. Sir Wescott Abel concludes that the average efficiency of the Mercantile Marine, from the point of view of age, may be regarded as unchanged, though the exclusion of tanker tonnage would make the comparison rather

<sup>1</sup> By the Merchant Shipping (Wireless Telegraphy) Act, 1919, the installation of wireless was made permanently compulsory in all seagoing vessels of 1,600 tons and up. This provision was not challenged by the shipowners; but they complained bitterly of the additional expense involved in the carriage of operators on the smaller cargo-ships, holding that the inclusion in the crew of men with no permanent occupation was demoralizing, and that all requirements could have been met by giving navigating officers sufficient knowledge of wireless to answer an 'S.O.S.' call and by devising an automatic alarm call. See *Chamber of Shipping Reports*, 1919-20, pp. 34, 228-30; 1920-1, pp. 95-7; 1921-2, pp. 45-7.

<sup>2</sup> See p. 393, *post*.

<sup>3</sup> Appendix, Table 6.



less favourable. So far as concerns the total carrying-capacity of the fleet, this argument is sound ; but it does not affect the disadvantage, from the financial point of view, of the large increase in the number of really old ships.

Further, a large proportion of the tonnage was in very bad repair. The wear and tear of the war years had been abnormally heavy. During the later stages of the war great efforts had been made by the Transport Authorities to use requisitioned vessels for services to which they were suited—not, for instance, to send to the White Sea ships of insufficient strength to stand ice risks—but it was not always possible, when tonnage was short, to allow full weight to such considerations. The Atlantic Concentration, too, had led to many liners being diverted to the Atlantic which were ill-suited to work there during heavy weather. So far as possible, these ships were returned, during the winter months, to their accustomed trades ; but the working of the Liner Requisition Scheme was responsible for a considerable crop of minor casualties.

For vessels, more particularly colliers, in attendance on the Fleet, the wear and tear was exceptionally heavy, and during the later stages of the war there were many complaints of the damage caused to requisitioned ships, especially at French ports, by the use of unskilled labour in the work of loading and discharge. The inferior coal that had, at times, to be used for bunkers, and the withdrawal of the most experienced officers, seamen, and firemen for naval and transport work, were other factors tending to deterioration.

On the other hand, the task of dealing with war casualties, naval and mercantile, strained to their utmost capacity the facilities for dry-docking and repairs, and the extreme pressure on the available tonnage led to every day off service being grudged. Thus, while the number of minor casualties and the severity of wear and tear continually increased, there was an increasing tendency for small repairs and periodical refits to be postponed to the immediate necessities of the moment, and at the end of the war a large proportion of the ocean-going ships stood badly in need of overhaul. As facilities became available and the extreme

<sup>1</sup> 'The Merchant Navies of Yesterday and To-day', in *Manchester Guardian Commercial*, 'Reconstruction in Europe, Section Two'.

urgency of the Government services diminished, these delayed repairs were gradually made good, and by February 1919 nearly 12 per cent. of the available ocean-going tonnage was in the repairers' hands; but owing to the enormous increase in the cost of repairs, there was still a tendency to postpone them whenever possible.

In this analysis no account has been taken of sailing vessels. For many years before the war the sailing tonnage under the British flag had been dwindling rapidly. Few new ships had been built for the ocean trades, and the survivors of those splendid clippers that once formed the glory of the Mercantile Marine had mostly passed under other flags. Under those flags some of them now came to an honourable end. It was under Norwegian colours that the old wool clipper, *Collingwood*, was sunk by a submarine in March 1917.<sup>1</sup>

The war, however, brought to the sailing trade a transient gleam of recovery. In its early stages, when the shortage of steamers first became manifest, there arose a strong demand for sailing tonnage, particularly on the Pacific coast of America, where shippers of lumber, grain, and nitrates were prepared to pay very high freights.<sup>2</sup> In the summer of 1915, the Corporation of Lloyds, in a memorandum on the protection of the traffic, gave a list of no fewer than 138 large sailing vessels homeward bound from American ports, many of them with very valuable cargoes.

In this emergency, several famous old ships that had raced home with the Australian wool fleet in the last great days of sail, emerged from their enforced retirement into remunerative employment. There were probably few who recognized in the Portuguese *Pero d'Alemguer*, posted as 'missing' in 1916, the fine old clipper *Thomas Stephens*, long a hulk in the Tagus. The beautiful *Port Jackson* was reconverted from a cadet ship to a trader, and torpedoed in the Channel in 1916. The *Loch Ryan*, bought by the Victorian Government as a training ship, was sent to sea once more, and wrecked in the Pacific. The *Antiope*, built in 1866, was serving as a coal-hulk in a New Zealand harbour when the war broke out. Re-rigged, and restored to something of her former

<sup>1</sup> Basil Lubbock, *The Colonial Clippers*, p. 230.

<sup>2</sup> *Lloyd's List*, 17 February 1915, *Report of Annual Meeting of Clyde Sailing Ship Owners' Association*, 10 April 1915 (Seattle Report of 18 March).

beauty, she proved capable of making good passages and earning good freights.<sup>1</sup>

The sailing traffic was, however, peculiarly vulnerable to attack, and when the submarine campaign had developed its maximum intensity, it became impossible to use the 'wind-jammer' in the ocean trade of the United Kingdom. In the Pacific, where, save for the occasional incursion of a raider such as the *Seeadler*, no enemy was to be met, she could still carry on; and during the later stages of the war, the larger British sailing vessels were directed, by the licensing system, into the Australian wheat trade, the cargoes being brought round the Horn to United States Atlantic ports, there to be transhipped into steamers for Europe. In the summer of 1918, when submarines made their appearance off the American coast, the traffic was diverted to San Francisco. Other vessels were employed in the carriage of coal from Newcastle, N.S.W., to South America, or from South African to South American or Indian ports. In Home Waters, a great number of the smaller sailing vessels were shepherded into the French coal trade, where they could be run in convoy, and their ability to use the smaller ports for loading and discharge gave them a real value.

Yet, though sailing vessels played an honourable part in the war, its effect was to accelerate their disappearance from the ocean tracks. The losses were heavy, and the ships lost were not replaced. By 31st December 1918, the aggregate tonnage of sailing vessels of 500 tons net and upwards on the Register of the United Kingdom had sunk to little over one-half what it was in 1913, and there were now only 68 of 1,000 tons and up, as against 163 before the war.

The sailing tonnage on Dominion and Colonial Register, on the other hand, showed but a slight reduction either in total tonnage or in the number of large vessels. In steam tonnage the Dominions had more than maintained their position. Many big German steamers had been seized and condemned in oversea ports, and the shipyards, particularly in Canada, had been abnormally busy. The total net additions amounted to some 170,000 tons, mostly ocean-going ships.

This, however, was but a very small offset to the great decrease

<sup>1</sup> Lubbock, *op. cit.*, pp. 207-8, 219, 284, 323; E. Keble Chatterton, *Seamen All*, p. 117.

in tonnage on United Kingdom Register. Nor was it only in actual tonnage that the position of British shipping had deteriorated ; its *relative* strength had also declined. In June 1914, the shipping of the United Kingdom alone comprised nearly 44 per cent. of the world's steam tonnage ; for the British Empire the proportion was  $47\frac{1}{2}$  per cent. By June 1919 these percentages had sunk respectively to 36 and 39. The main reason for this comparative decline lay, of course, in the immense war programme undertaken by the United States, a large part of which still remained to be fulfilled ; but Japan had increased her tonnage by more than 50 per cent., and though the European Allies and neutrals had suffered heavily in the war, some of them, notably France and Holland, were able to make good their losses more quickly than the United Kingdom. Of the American Emergency fleet, a large proportion, especially the wooden steamers laid down in large numbers during 1917, was of doubtful value for peace purposes ; but the efficiency of Dutch and Japanese competition was increased by the large proportion of fine new steamers in the fleets.

Apart from labour or financial difficulties, there was no reason why the war losses of British tonnage should not speedily be made good. The utility of the National Shipyards was a matter of controversy ; but about 300 schemes of extension and development at private yards had been put in hand during 1917 and 1918.<sup>1</sup> By the cessation of hostilities, 32 new slips had been completed, and 48 more were in course of construction ; the lengthening of 19 existing slips had been put in hand, and 11 of these had been completed. Pneumatic riveting installations and other improvements in plant increased the capacity of the yards. Thus, when once the slips were free of Admiralty orders, there was every reason to anticipate an output largely in excess of the 1913 record.

The one doubtful question was whether British shipowners would be able, or inclined, to take advantage of these increased facilities. The price of a new, ready cargo steamer of 7,500 dead-weight tons had risen by January 1919 to £169,000, as compared with £42,500 in June 1914, and the cost of liner construction had increased in still greater proportions. Replacement costs were now

<sup>1</sup> Two-thirds of these schemes received the grant referred to in Chapter XV.



largely in excess of the values recoverable on ships sunk during the war ; operating costs had doubled or trebled, and in view of the heavy taxation levied on the earnings of the ships, the possibility of continued freight restrictions, and the prospect of intensified foreign competition, owners might well hesitate before placing orders.

More serious, perhaps, than the reduction of tonnage was the dislocation caused by the war in every department of the industry. During the later stages of the war the tramp trade, in the ordinary meaning of the term, had been practically wiped out. The crowd of freighters, seeking cargoes wherever they might be found, which had been so familiar a sight in every port at home and abroad, and which had given to British shipping its wonderful elasticity and capacity for adjustment, had been drawn into the narrow channels of employment dictated by war emergencies. Many ships had been bought or chartered by liner companies unable otherwise to maintain their services. The remainder were utilized, under requisition or direction, for naval and military purposes, or for maintaining a few essential British and Allied imports. Many tramp owners had taken advantage of the great boom of 1915-16 to sell out and retire from business, and had been succeeded, in part, by speculators with little experience of the trade. Many others had lost their ships and had been unable to replace them. Those who remained in business had been reduced to the position of managers under the Ministry of Shipping, ignorant, often, of the whereabouts and commitments of their vessels.

The liner companies had been still more seriously hit. Though their branch and agency organizations had been preserved under the Liner Requisition Scheme, the majority of services outside the North Atlantic had either been stopped or reduced to a mere skeleton, and even the services that remained had been subject to a large amount of interference ; the number of loading ports abroad had been reduced to a minimum, intermediate stoppages had been cut out wherever possible. Thus, although the machinery of their trade had been kept afoot, a serious blow had been struck at the goodwill and business connexions from which their traffic was derived.

Both liners and tramps were faced with the prospect of

intensified foreign competition. Deprived of the assistance of British shipping, neutral countries had been obliged to devote more attention to the cultivation of their own resources. The profits of neutral shipowners had been enormous. Owing to their freedom from requisition, and, in the earlier stages of the war, to their comparative immunity, neutral steamers had always been able to command higher freights than British, and these freights had been earned by the entire fleets, not merely by those vessels which happened to escape requisition. During the later stages of the war much neutral tonnage had been laid up; but a large proportion of the ships had found safe and lucrative employment in the Pacific, in Eastern, or in American waters, and the vessels requisitioned or time-chartered for Allied service had received rates far above those paid to British requisitioned ships. A large part of these profits had been exempted from war taxation on condition of investment in new tonnage, and while Norwegian shipowners, in particular, had placed large orders abroad, both the Scandinavian countries and Holland had largely increased their capacity for construction at home. Thus everything pointed to a rapid increase in the fleets of the minor shipowning Powers, and to a decrease in the orders placed by foreign owners with British shipyards.

Moreover, the withdrawal of British shipping from the trade between foreign ports, and from the longer routes, had given foreign shipowners, more particularly the American and Japanese, an opportunity of which they were not slow to take advantage. The trade of India and the Far East had passed, in great measure, into the hands of Japan; American lines had replaced British in the traffic between North and South America; both American and Japanese companies had developed new Trans-Pacific services. In all, some twenty-five new fixed services had been started by foreign owners in replacement of British services suspended by the war.<sup>1</sup>

The British shipping industry had thus to regain, if possible, ground lost during the war, in face of an intensified competition before which it might not be easy even to hold its own. It

<sup>1</sup> Sidney Brooks, 'The Problem of British Shipping', in *Nineteenth Century*, December 1918, vol. lxxxiv, at pp. 1125-6.

had to do this with a fleet much older, on the average, than those of its nearest rivals—the American and Japanese—which represented, to a great extent, the result of war construction, and it was no longer backed by the same supremacy in shipbuilding as before the war. Further, one of its main assets in international competition—the long-distance coal-export trade—had been temporarily destroyed. It was the outwards coal cargoes that, before the war, had given so great an advantage to British tramps in quoting homeward freights for the great seasonal bulk cargoes. During the war, owing to the shortage of tonnage and the necessity of supplying first the needs of the Allies, the coal exports to more distant countries, especially to South America, had been cut down to but a small fraction of their normal volume, and these countries had become accustomed to draw their supplies from America and elsewhere. Moreover, the war had left the coal-mining industry itself in an extremely precarious situation; the output had fallen; prices were abnormally high, and labour was discontented. Even if the foreign demand should again become effective, it was doubtful whether the export trade could be recaptured.

One gain was to be set off against all the loss and dislocation caused by the war. Not only had the economic position of the merchant seamen been substantially improved, the co-operation of employers and employed in the national service and the new machinery created for the settlement of manning problems had brought about a new spirit of mutual confidence within the industry. The outbreak of the war had found the Shipping Federation and the Unions in an attitude of latent hostility that wanted but a spark to break out into renewed conflict. The end of the war saw them closely associated for purposes of constructive co-operation. How deeply the new spirit had taken root was seen in the troublous years that followed the cessation of hostilities. The course of no industry was marked, during those years, by more violent fluctuations of prosperity; yet shipping, almost alone among the great industries of the country, remained throughout free from the handicap of internal strife.

## CHAPTER XXII

### *POST-BELLUM POLICY—DOMESTIC*

As the end of the war approached, bringing with it the prospect of a return to normal commercial conditions, it became imperative for the Government to define its future policy with regard to the Mercantile Marine. Not only were all ships and shipyards under Government control, but a big State-owned fleet had been built up. Including prizes, standard steamers, and ships purchased at home and abroad, some 400 vessels were, in November 1918, registered in the name of the Controller or the Admiralty ; four-fifths of the tonnage under construction was for Government account, and large sums of public money were invested in the National Shipyards. It was an open secret that the nationalization of shipping had been seriously discussed in 1917, and though that project was now believed to have been dropped, there had always been some ambiguity in the Government's attitude towards the future of the industry. Before shipowners could settle down with any confidence to the preparation for a resumption of their normal activities, it was necessary to know definitely how the Government stood with regard not only to nationalization but also to State participation in the business of building and running ships, and the release from control of privately-owned shipping.

Apart from arguments common to the whole case for State socialism and pointed by reference to the profits made by shipowners during the earlier stages of the war, the advocates of nationalization urged that State ownership was the only effective means of meeting the new conditions which had arisen in the industry, more particularly the appearance of the United States Shipping Board, with its huge fleet of standardized and fabricated ships. The future, it was said, would rest with large fleets of simple, standardized vessels, equipped with every labour-saving device and manned by highly-paid crews, and only State ownership could ensure these conditions or supply the centralized



organization which, rather than individual initiative, had become the essential of effective competition.<sup>1</sup>

The case, however, was argued on political and military, as well as on economic grounds. A nationalized Mercantile Marine was advocated as an instrument of Imperial development, the operations of which could be made subservient to political aims in a way impossible so long as the industry was run purely on commercial lines. With regard to defence, it was boldly asserted that private enterprise must have been responsible for a large proportion of the loss of ships and lives during the war, through espionage arising from the employment of cheap alien and Asiatic labour. Further, it was argued that the experience of the last four years showed the necessity of adapting the design of merchantmen to the requirements of war in a way that no private industry would stand.

In addition to the out-and-out advocates of nationalization, there were others who were willing to leave the ships in private hands, but urged that the Mercantile Marine should be reorganized throughout as a branch of the Royal Navy, on lines which would give the Admiralty complete control over the manning of the ships, and the pay and training of the officers and seamen, with a special view to their efficiency for war purposes.<sup>2</sup> In fact, while there can be no doubt as to the honesty of purpose with which the economic arguments for State ownership were put forward, the whole discussion of schemes of nationalization or quasi-nationalization, during and immediately after the war, was marked by a strong emphasis on war rather than peace requirements as the ultimate criterion of shipping policy. As we shall see in discussing other aspects of that policy, many minds were still dominated by the war atmosphere, and had shipping been nationalized in 1918 or 1919, it would have been largely in the interests of preparation for a future conflict, of an aggressive Imperialism, and of a conception of commercial competition which carried the principles of war into the domain of peace.

<sup>1</sup> 'If petty private shipowners here, handling little fleets of ships, imagine for a moment that they can withstand the State-organized competition of the United States, they are making a blunder which is a good deal more than a matter affecting themselves alone.' Sir Leo Chiozza Money in *The Herald*, 4 January 1919.

<sup>2</sup> See Cope Cornford, 'The Imperial Transport Service,' in *National Review*, August 1917, vol. lxix, pp. 752-62.

Long before the cessation of hostilities, the question of nationalization had been practically decided. If the Government had played for a moment with that idea, it was with the object of quieting the discontent arising from the revelations as to ship-owners' profits, and other methods of restricting those profits had been found. Whatever its chances as a war emergency measure, an attempt to introduce nationalization when peace was already in sight would unquestionably have split the Coalition from top to bottom. Even the Labour Party, recognizing the immense difficulties of the task, were believed to be lukewarm in its support, and the one section of Labour directly affected was definitely opposed to the project.<sup>1</sup> The war had brought to the seamen a substantial improvement in their economic position; they had established satisfactory and friendly relations with their employers, and they had a rooted distrust of Government officials, which had been intensified by the prolonged struggle over the introduction of naval discipline on transports and by other incidents of the manning controversies. The strength of their objection was clearly shown a year or two after the war, when nationalization was again put forward as an item of the Labour programme, and the National Seamen and Firemen's Union took a ballot on the question. The Executive refrained from making any recommendation, contenting themselves with circulating the principal arguments used by speakers for and against the proposal; but the result was a majority against nationalization of 16,158 to 5,097.<sup>2</sup>

As an alternative to out-and-out nationalization of the industry, it was suggested that, while releasing to their owners the vessels that had been requisitioned, the State should retain in its own hands the ships built or building on Government account, and run them in competition with the private interests. In this way a nucleus would be provided on which a State Mercantile Marine could be built up in any emergency of war or peace, and in the meantime the vessels could be employed for fostering inter-Imperial trade, or for checking any tendency to profiteering by private owners. This course was actually adopted by the

<sup>1</sup> Hopkins, *op. cit.*, p. 85.

<sup>2</sup> Figures from *Chamber of Shipping, Annual Report, 1920-21*, p. 21.

Australian Government, who had established the Australian Commonwealth Line during the war; and the Canadian Government also decided, early in 1918, on an extensive building programme for the purpose of creating, after the war, a series of State services. France also proposed to retain in the hands of the State ships acquired during the war or to be subsequently acquired under war agreements, and the United States, when releasing requisitioned shipping, left the Emergency Fleet, temporarily at least, under the management of the Shipping Board.<sup>1</sup>

This proposition also the Government turned down. The conditions, in truth, were very different from those prevailing in Australia, Canada, or America. Australian and Canadian Shipping, before the war, was mainly employed in local traffic; and in the United States, the Emergency Fleet greatly exceeded, in numbers and tonnage, the privately-owned shipping. Whether the Australian, Canadian, and American Governments were wise or unwise in their decision, the problem they had to solve differed widely from that presented by a British State-owned fleet, which must run in competition with a privately-owned Mercantile Marine already well-established on every trade route, and deriving its strength from unfettered participation in the general carrying trade of the world. The circumstances of the war were too abnormal for its experience to be decisive, either way, as to the possibility of effective State management of shipping; that experience did, however, suggest very strongly that it must be all or nothing; that private trading, actuated solely by economic motives, and State trading, liable to be deflected by political considerations, could not, at any rate in the shipping industry, exist side by side.

Whatever anxiety shipowners may at one time have felt on the subject of nationalization had, to a great extent, been dispelled by the cordial relations created between the industry and the

<sup>1</sup> All these State fleets, having been acquired at war prices, were heavily hit by the *post-bellum* slump. The French fleet was eventually liquidated, at very heavy loss, and both the Canadian and Australian Governments have disposed of a number of their ships. The Canadian services were run, from the first, by an independent corporation—the Canadian Government Merchant Marine Ltd.—for Government account. The Australian Commonwealth Line was at first under direct Government control; but has since been transferred to independent management, and Government shipbuilding has been discontinued. The American Shipping Board has been unable to rid itself of its responsibilities, owing to the great fall in values and the losses of operation.



Ministry of Shipping ; but the Government's intention with regard to the disposal of the State-owned ships and yards was far from clear, and the approach to peace brought with it a crop of disquieting rumours to the effect that they had decided on buying out some of the largest steamship companies for the purpose of adding to the State fleet. These rumours were partially contradicted by the announcement, on 23rd October, that the Ministry of Shipping were prepared to consider tenders, by owners who had lost ships through enemy action, for the purchase of a limited number of standard steamers ; but the general uncertainty as to the Government's intentions was seriously hampering the preparations for a return to normal conditions, and on 28th October, Mr. R. P. Houston raised the question in the House of Commons, with the object of obtaining some definite statement as to the Government's policy. In reply Mr. Bonar Law, Chancellor of the Exchequer and Leader of the House, stated categorically that nationalization was not contemplated by the Government, and that the rumours as to their intended purchases had no foundation.<sup>1</sup>

There remained the question of continuing, at any rate during the period of transition from war to peace, the existing control of private shipping. The owners, naturally, were eager to regain control of their ships and re-establish normal relations with shippers. On the other hand, it was unquestionable that a large amount of tonnage would be required for the purpose of repatriating the armies, and it was probable that some time would elapse, after the cessation of hostilities, before the commitments of the various buying departments could be wholly liquidated. Moreover, the arguments that had been held to justify, during the war, Government control of freights, cargoes, and prices, might be urged, with almost equal force, in respect of conditions so abnormal as would mark, inevitably, the aftermath of the great upheaval.

Some of the arguments used in favour of retaining control showed how little knowledge as to the facts of the industry had been extended during the war. The influence of freights on prices was still grotesquely exaggerated, and it was seriously suggested that the demand for rubber might affect appreciably the supply of

<sup>1</sup> *Daily News*, 18 October 1918 ; *Shipping World*, 23 October ; *The Times*, 23 October ; *Hansard*, 28 October.



food-stuffs.<sup>1</sup> Even those most hostile to State interference recognized, however, that the chaotic condition of the exchanges, the wide inequalities of purchasing power, and the actual shortage of supplies and tonnage might render necessary some international supervision of the course of trade.

On the other hand, there were strong reasons for restoring to the owners, as quickly as possible, complete liberty of action. The effects of the war had seriously threatened the supremacy of the British Mercantile Marine. Not only had British tonnage diminished while American and Japanese had increased, but the goodwill and trade connexions of British shipping had been ruthlessly sacrificed, and a large part of the general carrying trade had been abandoned to rivals whose accumulated reserves placed them in a peculiarly favourable position for *post bellum* competition. That competition would be particularly serious during the period of transition, for, as was pointed out in the final report of a Departmental Committee on Shipping and Shipbuilding after the War, appointed by the Board of Trade in 1916, 'Commercial and maritime influence will be in a state of fluidity; and that country will emerge strongest from the reconstruction period which has been able to make the deepest impress on trade conditions not yet crystalized.' For these reasons the Committee urged that the release of privately-owned vessels should take place as soon as the war came to an end; that State-owned ships should, so far as possible, be substituted for private vessels in the work of demobilization, and should be sold as soon as they ceased to be required for Government services arising out of the war; and that private ships still required for Government purposes of any kind should be chartered at market rates, or agreed rates based on market conditions.<sup>2</sup> It was not denied that, during the period of reconstruction, it might be necessary to ensure priority of transport for commodities of primary importance; but this, it was suggested, could be secured by devising means, 'by taxation or otherwise, whereby competition for freight space, for raw materials and for labour will be confined to essential or productive industries.'<sup>3</sup>

<sup>1</sup> 'Shipping after the War,' in *The Athenaeum*, September 1918. In 1913 the imports of rubber amounted to 70,000, of wheat and flour to 6,150,000 tons.

<sup>2</sup> Cd. 9092, p. 63, pars. 73 and 75.

<sup>3</sup> *Ibid.*, p. 120, par. 360.

A resolution in very similar terms was passed, on 30th October, by the Liverpool Steam Ship Owners' Association,<sup>1</sup> and the majority of the leading owners were prepared to accept the continuance of import restrictions and of the ship licensing system as necessary during the period of transition. What they desired was to be put in a position to re-establish their services by the release of their vessels from requisition, the removal of restrictions on shipbuilding, and the abolition of freight restrictions from which their foreign competitors were exempt.

The first clear statement of the Government's intentions came on 12th November, the day after the Armistice was signed, when the Shipping Controller published an announcement to the effect that

'It is not contemplated that the control of merchant shipping should continue for any longer period than is necessary to provide for the extraordinary conditions arising out of the war. It is the intention that privately-owned ships now under requisition should be released from control as soon as the tonnage available is considered clearly sufficient to provide reasonably for such essential shipping services as may be necessary in the national interest.'<sup>2</sup>

We shall see in a later chapter how these provisos were interpreted.

Two days later, on 14th November, the Controller announced that owners might make arrangements to resume private shipbuilding as and when berths became vacant, on the understanding that there must be no interference with the execution of Government contracts, and that all ships laid down must be of a type approved by the Ministry of Shipping. For these reasons, a certificate must be applied for, before any order could be executed.<sup>3</sup>

The entire control of shipbuilding and ship repairs was now handed back from the Admiralty to the Controller, a step which was generally regarded as a preliminary to the winding-up of the Government's shipbuilding commitments, including those connected with the National Shipyards. The sale of standard ships to private owners was also put in hand, and several were actually

<sup>1</sup> *Annual Report for 1918*, p. 45. The resolution ran: 'That during the period of Reconstruction competition for freight space in the Shipping Tonnage of the World be restricted, by prohibition, taxation or otherwise, to the essential overseas requirements of the World, and more particularly for food and raw materials; but that within these restrictions the markets of the World be open to private enterprise in regard to both the cargoes to be carried, and the shipping tonnage to be employed.'

<sup>2</sup> *The Times*, 12 November 1918.

<sup>3</sup> *The Times*, 14 November 1918.

sold during the first few weeks after the signing of the armistice, though the demand for their employment in Government service prevented any very large transfers of tonnage. The whole principle of State-ownership and construction was thus abandoned, and on 18th November Sir Leo Chiozza Money, who had been the leading advocate of nationalization, resigned his post.<sup>1</sup> He was succeeded as Parliamentary Secretary to the Ministry of Shipping and Chairman of the National Maritime Board by Colonel Leslie Wilson, C.M.G.

The question of shipbuilding after the war had already (in March 1918) been discussed by the Controller with the shipowners,<sup>2</sup> and both he and Lord Pirrie, the Controller General of Merchant Shipbuilding, were anxious to facilitate, in every possible way, the restoration of the fleets. With this object Lord Pirrie issued, on 8th January 1919, less than two months after the cessation of hostilities, a circular letter intimating that owners were now free to negotiate direct with the shipbuilding and ship-repairing firms in such ports as they had hitherto been accustomed to use, or where repairs might most conveniently be effected.<sup>3</sup> He retained, however, his general powers of supervision.

The retention of these powers was required chiefly in connexion with the regulation of shipbuilding on foreign account. The majority of shipowners themselves were anxious that the prohibition of building for foreigners should be continued for a period of from two to seven years after the cessation of hostilities, as they feared that neutral owners, with their large accumulated reserves, would be in a position to outbid them, and that the restoration of the British Mercantile Marine might be hampered by the execution of large foreign orders. Shipbuilders, on the other hand, while expressing their willingness to accord British owners a voluntary preference, were generally opposed to the continuance of restrictions. In their view the only result of any general prohibition would be to encourage the expansion of foreign yards,

<sup>1</sup> Sir Leo Chiozza Money's resignation was dictated not merely by the rejection of the nationalization of shipping but by political differences with the Government. These differences, however, hinged mainly on his belief in a 'co-operative Commonwealth' as the only salvation of the country in the conditions left by the war. See his statement in *Hansard* of 18 November.

<sup>2</sup> *Liverpool Steam Ship Owners' Association, Annual Report for 1918*, p. 50.

<sup>3</sup> *Chamber of Shipping, Annual Report, 1918-19*, pp. 34, 57.



thus depriving the industry permanently of a source of revenue that assisted to keep British yards going when the home demand was slack, and facilitated economical production by increasing the total turnover. The Departmental Committee, after hearing evidence from both owners and builders, reported that, in their opinion, the home demand would be sufficiently strong, once the control of shipping was removed, to prevent any undue proportion of the slips being occupied by foreign orders, and that the restrictions should be removed as soon as possible in the general interests of British shipbuilding. They agreed, however, that some supervision would be necessary during the period of decontrol.<sup>1</sup>

The necessity for such supervision was, in fact, due in part to undertakings with regard to *post-bellum* construction entered into by the Government themselves. It was a term of the tonnage agreement with Norway in 1917 that 260,000 tons might be laid down to Norwegian orders during each of the three years immediately following the war, to assist in making good the heavy losses suffered by Norwegian shipping in the service of the Allies. Facilities for the construction of new tonnage had also been promised, on a large scale, to France and Italy. The commitments to Norway were to be satisfied in part by permitting the fulfilment of contracts placed, subject to Government sanction, during the war itself.

Closely connected with the question of shipbuilding was that of the sale of second-hand tonnage. By the British Ships (Transfer Restriction) Acts, it was provided that no transfer to a foreign flag could take place without a licence for a period of three years after the war. The shipowners, having regard to the wastage suffered by the British Mercantile Marine, proposed that this period should be extended to five years. The Departmental Committee, without recommending the repeal of the Acts, considered that when the bulk of requisitioned tonnage had been released, it would be desirable to relax considerably the stringency of the licensing system, and permit owners to dispose of their older vessels, with the object of replacing them with more efficient tonnage. This view was, to some extent, accepted by the Controller, who intimated on 4th January 1919 that, while the existing restrictions

<sup>1</sup> Cd. 9092, pp. 66-8, pars. 92-105.



would be maintained, he would be prepared to consider on its merits any sale of a vessel over fifteen years old, provided an adequate guarantee was given that the sale price would be promptly invested in new tonnage.<sup>1</sup>

It had thus been definitely decided to continue, in a modified form, the control of both shipping and shipbuilding during the period of transition. There were not wanting suggestions for a more permanent control, particularly in respect of freights in the ocean trades. A general policy of freight-fixing was obviously impossible without the practical elimination of private enterprise in foreign trade, since it must inevitably lead, as the experience of the war had shown, to control of the ships themselves and of the cargoes to be carried.<sup>2</sup> There remained, however, three more definite proposals that required separate consideration.

At the Paris Economic Conference of June 1916 a resolution had been passed that :

‘ In order to permit the interchange of their products, the Allies undertake to adopt measures for facilitating their mutual trade relations both by the establishment of direct and rapid land and sea transport services at low rates, and by the extension and improvement of postal, telegraphic, and other communications.’

So far as sea transport was concerned, the fulfilment of this resolution, which was based on the conception of an economic offensive after the war, could only be ensured, in the absence of an adequate commercial demand, by State-owned services, or by the payment of subsidies to enable private services to be carried on at uneconomic rates. There was very little evidence that the existing shipping facilities were inadequate for the carriage of inter-Allied trade, and except from the point of view of a ‘ war after the war ’, little object in fostering those services artificially at the expense of others. Both the shipowners themselves and the Departmental Committee were opposed, in principle, to all interference with the natural course of trade, and the proposal was ultimately allowed to drop.<sup>3</sup>

<sup>1</sup> *Chamber of Shipping of the United Kingdom and Liverpool Steam Ship Owners' Association : Report of the Committee appointed to advise as to the measures requisite for the maintenance of the British Mercantile Marine* (hereafter cited as *Joint Committee's Report*), p. xxiv, par. 130 ; Cd. 9092, p. 68, pars. 106-9 ; *Chamber of Shipping, Annual Report*, 1918-19, p. 79.

<sup>2</sup> See Cd. 9092, p. 120 pars. 359-61.

<sup>3</sup> Cd. 9092, p. 117, pars. 341-2 ; *Joint Committee's Report*, p. xix, pars. 103-8.

A somewhat similar proposal with regard to inter-Imperial trade was made by the Dominions Royal Commission. In recommending the establishment of a series of subsidized Imperial mail services and a considerable expenditure on the development of Imperial harbours, to enable them to accommodate the largest vessels, the Commission suggested that such subsidies should be conditional on some degree of State control over the freights—a proposal based on the grievances alleged by Dominion shippers against the Conference lines.<sup>1</sup> British shippers also had their grievances against the Conferences, more particularly in respect of the fact that lower rates were sometimes quoted from Continental than from British ports, and the Association of Chambers of Commerce of the United Kingdom proposed, in 1917, the prohibition of this practice, and the imposition of legal restrictions on Conference agreements between British and foreign lines. The Chamber of Shipping thereupon suggested to the Association a conference for joint examination of the alleged grievances, an invitation which was not accepted.<sup>2</sup>

To the proposal for Imperial mail subsidies, the Departmental Committee objected both on principle and on grounds of immediate expediency. As a general principle they considered that mail subventions should be confined to fair payment for the actual work performed, and that exclusive contracts should, as far as possible, be avoided, the mails being forwarded by any suitable steamer. They added that the primary consideration after the war should be the restoration of the ordinary cargo and intermediate services, and that this end would not be served by fostering artificially a number of specialized mail services, working on uneconomic lines. In the same way, while they agreed that any expenditure on constructional schemes, with a view to providing employment, might most usefully be directed to the improvement of ports and harbours, they considered that priority should be given to the provision of better facilities for general trade.<sup>3</sup>

<sup>1</sup> *Final Report of Dominions Royal Commission*, pars. 526–63.

<sup>2</sup> *The Times*, 10 October 1917; *Chamber of Shipping, Annual Report*, 1917–18, pp. 45–6.

<sup>3</sup> Cd. 9092, pp. 116–17, pars. 335–40; pp. 118–19, pars. 349–51. These recommendations were endorsed by the Imperial Shipping Committee in 1920.

With regard to the complaints of British shippers, the Committee held that the anomalies complained of were, to a great extent, forced on British shipowners by the unfair competition of German lines, and that so far as this competition was not removed by measures to be referred to in the next chapter, the evil could best be remedied through a stronger organization of British shipping itself. They considered that the Conference system was an inevitable corollary of existing economic conditions, and that the international ramifications of the industry rendered it impossible to impose legal restrictions on Conference agreements with foreign lines ; but they suggested that the companies might be compelled to file full particulars of all such agreements.<sup>1</sup> As to the more general question of complaints by shippers of anomalous and unfair freights, or oppressive restrictions imposed by the Conferences, they suggested that the only sure safeguard would be found in the growth of strong trade associations among the shippers themselves capable of meeting the Conferences on equal terms, and in genuine co-operation between such associations and the Conferences. Both the Dominions Royal Commission and the earlier Royal Commission on Shipping Rings had, however, proposed, in somewhat different terms, the creation of a Board of Investigation into complaints by shippers. This proposal the Committee heartily supported, with the proviso that the functions of the Board should be confined to investigation and conciliation, but that it should be empowered to publish its findings, and should be sufficiently representative both of trade and shipping to give weight to its recommendations.<sup>2</sup> Although not adopted in the letter, the spirit of this proposal was, to a great extent, embodied after the war in the creation of the Imperial Shipping Committee, and the growth of closer association between traders and shipowners on both a national and an international basis.

There remain to be mentioned two or three items of *post-bellum* regulation which were based ostensibly on the experience of the war, and aimed at providing greater security in a future conflict. One proposal which received strong support in many quarters, was for the prohibition, or at least the restriction of the employ-

<sup>1</sup> Cd. 9092, pp. 102-5, pars. 263-75 ; p. 116, par. 334.

<sup>2</sup> *Ibid.*, pp. 120-1, pars. 359-62.



ment of aliens on British ships. This, naturally, met with sympathy in Labour circles, as a measure of protection for British seamen ; but the agitation in its favour derived its main strength from the strong anti-alien sentiment created by the war, and the idea of strengthening the Mercantile Marine as a fighting force. It took definite shape in an amendment proposed to the Aliens Restrictions Bill of 1919, prohibiting the employment of aliens in any capacity on vessels registered in the United Kingdom. The Departmental Committee had previously considered the question and decided that, in view of the world-wide character of the industry, no such restriction was possible or desirable. They recommended, however, that pilotage certificates should, in future, be given to natural-born British subjects only, and that the Masters of vessels should always be British. They added that they would prefer to see the same rule applied to all officers, but doubted the practicability of definite legislation to this end.

A very similar line was taken, in 1919, by the Shipowners' Parliamentary Committee and the representatives of the industry in the House, and as eventually passed, the Act prohibited only the grant of pilotage certificates to aliens, and their employment as Master, chief officer, or chief engineer. Exception was made in respect of aliens so employed during the war who could produce a certificate of good service from the Admiralty, and also in respect of ships mainly employed in voyages between ports outside the United Kingdom. The economic position of the seamen was safeguarded by a provision that no alien should be employed in any capacity at a lower rate than that paid to British subjects of the same colour and rating.<sup>1</sup>

A further provision of the Aliens Restrictions Act prohibited former enemy aliens from acquiring any share or interest in a British ship. It had at one time been proposed to amend the company laws in such a manner as to prevent all foreigners from holding shares in a British shipping company ; but the Departmental Committee had strongly opposed any restriction on the investment of foreign capital in British shipping ; pointing out that the experience of the war itself had proved the benefit of the

<sup>1</sup> Cd. 9092, p. 116, pars. 332-3 ; *Chamber of Shipping, Annual Report, 1919-20*, pp. 218-21. It was also necessary under existing agreements with France to make certain exceptions with regard to pilotage certificates.



existing law, since a large block of tonnage that would otherwise have been found under foreign flags had, in fact, been available for requisition, and subject to all the regulations enforced on British ships.<sup>1</sup>

By far the most important problem connected with precautions against a future war was that of defensive armament. The immense importance of defensive armament as a counter to the submarine had been clearly proved, and in order to avoid any delay in the equipment of vessels in a future conflict, the Admiralty were anxious that, even in time of peace, ocean-going steamers should carry the necessary guns. In July 1918 they took the matter up with the Chamber of Shipping and the Liverpool Steam Ship Owners' Association; but the shipowners were reluctant to burden the industry with the loss of carrying-power arising from the design of vessels with a view to armament, and were doubtful as to the reception of defensively armed ships, in time of peace, in foreign ports. They urged, therefore, that even if the Admiralty considered it necessary to retain the war-time regulations as to construction, the guns and ammunition should normally be left ashore. In this the Admiralty acquiesced, and later, in 1919, they agreed to the withdrawal of the regulation as to design.<sup>2</sup>

It is not unfair to assume that the attitude of the owners was strongly influenced by considerations of self-interest; but in this, as in other matters, their natural desire to return as rapidly and completely as possible to the normal conditions of peace can be justified on broad grounds of policy, and the leaders of the industry may be credited with appreciating the larger as well as the narrower consideration. The war record of the Mercantile Marine was one of which it might well be proud; but it would have been a profound misfortune if the experiences of the war had led to the subordination of commercial to military requirements in the future development of British shipping.

<sup>1</sup> Cd. 9092, p. 115, pars. 330-1.

<sup>2</sup> *Chamber of Shipping, Annual Report*, 1918-19, pp. 34-5; 1919-20, pp. 32-3.

## CHAPTER XXIII

### *POST-BELLUM POLICY—EXTERNAL*

WE have already seen how largely the discussion of domestic problems relating to British shipping after the war was coloured by the strong spirit of nationalism that the war had aroused. That spirit was reflected still more clearly in the proposal to revive the principle of the old Navigation Acts as the basis of external policy with regard to the Mercantile Marine.

The importance of this proposal, not merely to the shipping industry but to the nation and the world at large, cannot well be exaggerated. Had it been accepted it must have influenced profoundly the whole British outlook on commercial policy, and have affected, in no small degree, the course of international relations.

Of the Navigation Acts themselves something has already been said.<sup>1</sup> From the time of Richard II onwards, attempts had been made, with very varying success, to confine the whole or a part of English trade to vessels under the English flag; but it was to the Acts of 1651 and 1660, with the additions subsequently made, that the advocates of a new Navigation Law referred as a model. Those Acts, as has been explained, were based on the preservation for British shipping of a monopoly of the Colonial and coasting trade, and on the prohibition of imports from Europe in non-British ships, other than ships belonging to the country whence the goods were derived. Their object was two-fold: to foster British shipping by the creation of a lucrative monopoly, and to inflict the utmost possible damage on the Dutch, who were, at that date, supreme in the general carrying trade. It should be added that the desire to foster British shipping was actuated not merely by economic motives, but also, and chiefly, by the importance of the Mercantile Marine as a nursery of seamen for the Royal Navy, and a second line of naval defence.

<sup>1</sup> Chapter II, *supra*.

It was for similar reasons that the revival of the Acts was now advocated. The idea that, after the last shot was fired, the struggle against Germany must be transferred to the economic sphere had taken firm hold of many minds ; in order to avert the danger of new aggression by Germany, German trade must be completely ruined, and German trade could be struck at most effectively through the shipping which carried it. Further, the war had shown that merchant shipping possessed an importance in the realms of supply, of transport, and of actual operations, even greater than had been hitherto supposed, and no price was too great to pay for supremacy at sea. In the eighteenth century Adam Smith, the apostle of free trade, had defended the Navigation Laws on the ground that ' defence is of much more importance than opulence '.<sup>1</sup> In 1916, an advocate for the revival of the laws admitted that his proposal might cost £30,000,000 a year of British trade profit for a few years, and increase freight charges on raw materials and exports, but added that those who opposed the revival were ' more eager for money than for the lives of our children and for the future of Britain '.<sup>2</sup> Dr. Holdsworth, a weightier advocate of the proposal, based his whole argument on the necessity of reverting to the policy of the sixteenth and seventeenth centuries, when commercial considerations were consistently subordinated to those of defence.<sup>3</sup>

The two objects proposed—the crushing of German trade and the fostering of British shipping—required separate consideration. If it was to be assumed that British shipowners could no longer maintain themselves in open competition, it was evident that discrimination must be exercised against Allies and neutrals ; against America, Japan, Norway, and Holland, as well as against Germany. If, on the other hand, the main object was to impede the revival of German trade, it would be necessary to seek the co-operation of the Allies in special punitive measures, going far beyond the scope of the old Navigation Acts.

On the admission of Dr. Holdsworth, ' there is no evidence

<sup>1</sup> *Wealth of Nations*, Book IV, c. 2.

<sup>2</sup> *Merchant Shipping as a Weapon against Germany*. Speech by Arthur Michael Samuel to Institute of Shipbrokers, 24 February 1916.

<sup>3</sup> *The Relation between Commercial Legislation and National Defence Historically Considered*: A Rhodes Lecture Delivered at University College, London, on February 25, 1918, by W. S. Holdsworth, D.C.L.

that the Dutch trade or shipping was seriously damaged by the acts.' Their immediate effect was to intensify Dutch competition in every branch of trade not specifically reserved,<sup>1</sup> and a century after the passing of the Acts, Adam Smith admitted that the carrying trade of Holland was much greater than that of any other Power.<sup>2</sup> It was the exhaustion consequent on a long series of continental wars that finally destroyed the Dutch predominance.

Germany, it must be remembered, was in a much stronger position than sixteenth-century Holland, for the bulk of her wealth, so far as it was derived from foreign commerce, was drawn not from the general carrying and entrepôt trade, but from the trade arising from her own vast internal resources. The mere exclusion of German shipping from the general carrying trade of the British Empire would fall far short of the effect desired. It would be essential, at least, to secure the co-operation of France, Italy, and the United States in the restrictions imposed; and it would probably be found necessary to discriminate in all Allied ports against German shipping, even when bound from Germany itself. In view of the stimulus thus given to German competition both for markets and for traffic in all neutral countries; the necessity of diverting British and Allied shipping from the general carrying trade to replace, in domestic commerce, the excluded German vessels; and the strong ties that bound many neutral States to the economic system of Middle Europe, the inevitable result must be to divide the world into two hostile economic groups, whose artificial boundaries would cut right across the natural flow of trade. Such, in fact, seems to have been the ideal of those who advocated carrying the war into the economic field; but apart from all wider considerations, the permanence of such a system could not but be problematic, especially in view of the fact that the economic interests of the Allies were by no means identical.

The whole discussion was, of course, coloured and complicated by the bitterness of feeling excited by the submarine campaign. Mr. Havelock Wilson, the President of the National Sailors' and Firemen's Union, had proposed, as a punitive measure, a five years'

<sup>1</sup> See Roger Coke, *Discourse of Trade*, 1670, p. 23; and Sir Josiah Child, *A New Discourse of Trade*, 1695, Preface, and p. 117.

<sup>2</sup> *Wealth of Nations*, *loc. cit.*



boycott of German ports by British shipping ; but British ship-owners were naturally opposed to a step which would have thrown the whole carrying trade of Central Europe into the hands of their competitors. On the other hand, they were convinced that the Allied and Associated Powers had a clear right to compel the Central Empires to make good, to the limit of their resources, the material losses caused by the war, and to inflict punishment for breaches of the accepted laws of war such as were incident to the submarine campaign. Nevertheless, those who spoke for the industry were opposed to the adoption of flag discrimination as a punitive measure. The arguments against such a course were well stated in the report of a strong Joint Committee appointed by the Chamber of Shipping and the Liverpool Steam Ship Owners' Association, to consider the future of the industry :

'Retribution should be direct and immediate ; it should not be allowed permanently to dictate the future commercial policy of the Empire. All international trade is based on benefits to be derived by all the nations concerned ; its maintenance is inconsistent with the policy of imposing loss.'<sup>1</sup>

What both the Joint Committee and the Departmental Committee proposed was insistence on the surrender of German and Austrian shipping as one of the terms of peace.<sup>2</sup> The effect of this measure would be, of course, a drastic elimination of *immediate* German competition ; but it was free from the objections to a policy of punitive discrimination ; its effect was direct and immediate ; it was confined to the exaction of reparation for actual loss inflicted during the war ; it left future trade relations unaffected.

Assuming, as both Committees assumed, the right to exact reparations, the arguments for the seizure of enemy shipping were strong. Few forms in which wealth could be transferred appeared to be more free from the economic reactions that complicated the whole reparations problem. The property in question was easily transferable ; it could be put to immediate use in the economic restoration of the world ; it would be applied in direct replacement of tonnage actually destroyed by the enemy. It was not, indeed, suggested that the ships should be transferred to individual owners

<sup>1</sup> *Joint Committee's Report*, p. ii, par. 6.

<sup>2</sup> *Ibid.*, pp. 1-2, par. 5 ; Cd. 9092, pp. 64-5, 115, pars. 77-85, 327-9.

in replacement of their losses—they had already received compensation from the State or the War Risks Associations, and the proposal was that ex-enemy vessels should be sold to British and Allied purchasers for the general benefit of the reparations fund—but there would exist after the war, in all the Allied countries, a grave shortage of tonnage, which the sale of these vessels would go far to make good. In default of their seizure, the enemy countries, whose shipping had not been subject to the same risks, would be left in a position of actual advantage as a result of the operations of the submarines.<sup>1</sup>

Whatever was the final decision as to its ownership, it was obviously of the first importance that all German and Austrian tonnage should be brought into service as soon as possible after the cessation of hostilities. The collapse of Austria and the occupation of the Austro-Hungarian ports threw practically the entire Mercantile Marine of Austria-Hungary into the hands of the Allies, and it was promptly requisitioned for Allied service and European relief. The terms of the renewed armistice with Germany in January 1919 provided for the bulk of the German ships to be handed over to the Allies, without prejudice to their subsequent disposal, and by the Brussels Agreement of 14th March, the Germans undertook to surrender the whole of their steam fleet with the exception of a proportion of the smaller cargo vessels and a few other specified ships. By the final terms of peace Germany was required to recognize the right to ton-for-ton compensation, and to hand over all steamers of 1,600 tons gross and upwards, built or building, one half the tonnage of vessels between 1,000 and 1,600 tons, and a quarter of the fishing fleet ; to waive all claims in respect of vessels detained and requisitioned by the Allies during the war ; to facilitate the acquisition by the Allies of all ships transferred to neutrals without their consent ; and to lay down on Allied account, if demanded by the Reparation Commission, shipping up to 200,000 tons gross in each

<sup>1</sup> The actual tonnage remaining under the German flag, including vessels launched during the war, was less by approximately 40 per cent. than in 1914 ; but a large part of the reduction was due to the detention in Allied ports of vessels which, in default of special provisions in the Peace Treaty, would have to be returned, after the war, in conformity with the Hague Convention No. VI of 1907. Many vessels also had been transferred to neutral flags in circumstances which led the Allies to refuse recognition of the transfers.

of the five years immediately following the signature of the Treaty.<sup>1</sup>

Certain other clauses relating to shipping were contained in the Peace Treaties. These, however, were not regarded as punitive measures, but were directed to the removal of long-standing grievances. For many years British liner companies had complained that the control stations established in Germany and Austria-Hungary for regulation of the emigrant traffic were utilized for the purpose of compelling emigrants to travel by German and Austrian lines. These stations, originally established for sanitary purposes, were, in Germany, under the management of the Hamburg-Amerika and Nord-Deutscher-Lloyd companies, and there was strong evidence that they had been used, in connexion with the German emigrant regulations, to impede and intimidate persons intending to pass through Germany for transshipment in the United Kingdom. The importance of this lay in the fact that the emigrant traffic played a prominent part in the finance of the North Atlantic trade, and the greater part of the emigration movement from Eastern Europe crossed the German and Austro-Hungarian frontiers.

It was admitted that, in default of international agreement, every country had the right to lay down such rules as it thought fit with regard to the emigration of its own nationals; but the British lines contended that this misuse of the control stations was a denial of the right of transit and a breach of international comity. The Departmental Committee proposed, therefore, that the Peace Treaties should contain stringent provisions against the use of the control stations for any other purpose than sanitary inspection. They urged also that an endeavour should be made to secure a general international agreement safeguarding the right of transit, and that, in the negotiation of commercial treaties, the Government should endeavour to obtain for British shipping full national treatment in respect of passengers as well as cargoes.<sup>2</sup>

There were other forms of German competition to which British

<sup>1</sup> Treaty of Versailles, Annex III to Part VIII. The Treaty of St. Germain provided for the surrender of all Austro-Hungarian shipping.

<sup>2</sup> Cd. 9092, pp. 5-18 (*First Interim Report*); pp. 96-7 and 108, pars. 236-9 and 286-9 of *Final Report*; *Joint Committee's Report*, pp. xv-xvi, pars. 84-5.



shipowners objected as unfair—systematic rate cutting, disregard of agreements, and preferential railway rates. The system of low through rates for exports on the German State Railways undoubtedly acted as a bounty to the German exporter, and so tended to stimulate German shipping ; but unless they were made conditional on shipment in German vessels, they did not constitute flag discrimination. There was evidence, however, that in certain instances, special preferential rates were accorded to shipments by the German Levant and German East Africa lines, and though no definite proof could be obtained, there was a strong suspicion that similar practices existed in other trades. The Departmental Committee, while deprecating exaggeration, and emphasizing the natural and inevitable development of German shipping as a result of the industrial and commercial activities of the Empire, were of opinion that, under all these heads, unfair competition had been practised. They considered, however, that such competition could be more effectively met by a stronger organization of British shipping than by State action, and that much of it would automatically disappear with the removal of the control stations, on the abuse of which the great fighting organization of German shipping had been built up.<sup>1</sup>

In the Treaty of Versailles all these matters received attention. Article 322 provided definitely for the removal of all control of the transmigration traffic other than that necessary to ensure that passengers were bona-fide in transit, and prohibited the exercise of that control by shipping companies or companies interested in shipping. By other articles, full national treatment was assured to vessels of the Allied and Associated Powers in German ports and inland waters, together with most-favoured-nation treatment in the coasting trade ; and all forms of preference or discrimination were prohibited, including direct or indirect bounties, by through rates or otherwise.<sup>2</sup>

Turning from the consideration of punitive measures against German shipping to the wider problem of protective discrimination against all foreign flags, it must be observed that the conditions in which it was now proposed to revive, in some form, the principle

<sup>1</sup> Cd. 9092, pp. 97–105, pars. 243–75.

<sup>2</sup> Articles 271, 321–7. Similar terms, so far as applicable, were embodied in the Treaty of St. Germain.



of the Navigation Acts differed widely from those in which the Acts were originally passed. In the seventeenth century the Colonies were completely subservient, politically and economically, to the Mother Country ; British shipping was in its infancy, and the rapidly expanding Plantation trade offered ample employment for all British ships displaced on other routes by Dutch competition ; the danger of retaliation was small, since no Power other than Holland was largely engaged in the general carrying trade, and the direct trade with Holland, the only possible sufferer by the Acts, was not a vital matter. Now, the chief Colonies had grown up into self-governing Dominions, unlikely to acquiesce in injurious restrictions on their right to trade with foreign countries in such ships as provided the most efficient and convenient means of transport ; the employment of British tonnage in the trade between foreign ports was of vital importance both to the shipping industry itself and to the commercial and financial prosperity of the country ;<sup>1</sup> the competitors of Great Britain in the carrying trade were numerous, and included States with whom it was essential to maintain friendly commercial relations. In short, the existing conditions, far from reproducing those in which the Acts were passed, tended to emphasize still more strongly the considerations which, during the first half of the nineteenth century, led to the gradual breakdown of the old restrictive system.

For these reasons the shipowners' Joint Committee considered that 'any return to the general principles of the old Navigation Laws would be against the best interests of our foreign commerce and of our Mercantile Marine.'<sup>2</sup> The Departmental Committee on Shipping and Shipbuilding took a still stronger line, and argued the case on broader grounds. They rejected wholly the policy of flag discrimination, not only because of the danger to British commerce and British trade, but because it endangered the restoration of the world's economic life and the maintenance of the world's peace.

'One argument against a policy of discrimination remains to be stated, and it is one that in our opinion over-rides all others. Whatever may be the merits or the practicability of a League of Nations after the war, it seems clear that our object must be to eliminate the causes of international

<sup>1</sup> See pp. 5-6, *supra*.

<sup>2</sup> *Joint Committee's Report*, p. xi, par. 56.

friction which might lead to future wars. International commerce will be more than ever necessary after the war, and it would be deplorable to set out on a course which would hamper the natural flow of trade and lead to endless quarrels among the maritime nations of the world. Freedom of the seas, in the sense of equal treatment of all flags in all ports, should therefore be a cardinal principle in our post-war policy.’<sup>1</sup>

This was a declaration of immense importance. It may be that, in the minds of the shipowners on the Committee, an honest conviction of the world’s needs was fortified by considerations of self-interest; if so, it was that ‘enlightened self-interest’ to which Mill and Bentham looked for the source of progress. It was, at any rate, no little thing that, at a time when all discussion of *post-bellum* problems was darkened by the tendency to think of trade in terms of war and to transfer destructive rivalry from the military to the economic sphere, British shipping policy should be based so firmly on the principles of international equality and mutuality of benefit.

There was, however, one more restrictive proposal, to which the cardinal objections above quoted did not apply. It was generally recognized that the coasting trade of any country was a domestic concern, and might be closed to foreign flags without any breach of international comity. The exclusion of foreign shipping from the coastal trade of the United Kingdom could provoke no other retaliation than the closing of similar trades to British vessels. Many countries did already, in fact, exclude British shipping from their coastal traffic, and some resentment was felt by British shipowners at their exclusion from the coastal traffic of the United States, as they held that this should have been covered by Mr. Bancroft’s promise, in 1847, when the repeal of the British Navigation Laws was under discussion: ‘We are ready to do anything you like; if you can do but little, we must do little; if you can do much, we will do much; if you shall do all, we shall do all.’

Further, the definition of coasting traffic had been stretched by the United States, France, and Russia to include all voyages between ports situated in their respective territories, even when separated by long stretches of foreign coast-line, and all direct

<sup>1</sup> Cd. 9092, p. 110, par. 304.

traffic with their oversea possessions—voyages between New York and San Francisco or Honolulu ; between Marseilles and Saigon ; between Petrograd and Odessa or Vladivostok. Hence, these Powers could hardly complain if Great Britain, in like manner, were to reserve to British ships the whole of the trade between Empire ports—the direct trade of the United Kingdom with the Dominions and Colonies, and of those Dominions and Colonies with one another. It had long been urged by many British ship-owners that an unfair advantage was conferred on their foreign competitors by admitting to the coasting (including Indian coasting) and Imperial trade, vessels belonging to countries that failed to grant similar privileges to British vessels, and that participation in these trades should be permitted to foreigners, if at all, only on the basis of reciprocity.

The actual share of foreign shipping in these trades was, however, very small. In 1913 less than 1 per cent. of the tonnage arrived and departed with cargoes in the coasting trade of the United Kingdom was under foreign flags, and of the whole trade between Empire ports, 92 per cent. was carried in British ships. Whatever may be the strict rights or logic of the matter, it was at least possible, in practice, that reservation of the Imperial trade might involve general measures of retaliation by other countries ; and whereas the internal trade of the Empire constituted, before the war, 26 per cent. of the traffic carried under the British flag, an equal proportion of that traffic was carried between ports wholly outside the Empire.<sup>1</sup> In these circumstances, the advantages proposed were hardly sufficient to outweigh the possible danger. For this reason, and also because they feared that any protective measures would be accompanied by the imposition of obligations hampering to British shipping in general competition, the shipowners' Joint Committee rejected the idea of reserving the Imperial trade. The question of the coasting traffic they did not even discuss. The Departmental Committee definitely rejected both proposals.<sup>2</sup>

While both the Departmental Committee and the shipowners themselves deprecated the adoption of any form of artificial

<sup>1</sup> Average values carried 1911–12 (Cd. 9092, table on p. 145).

<sup>2</sup> *Joint Committee's Report*, p. xi, par. 53 ; Cd. 9092, pp. 110–13, pars. 306–19, and table on p. 145.

protection for British shipping, there was a strong feeling that British owners should be relieved, so far as possible, of the handicap arising from the imposition of regulations from which their competitors were free. It was not desired that the standards of safety, hygiene, or accommodation should be lowered; but both the shipowners and the Departmental Committee urged that these standards should be more strictly enforced on foreign ships trading to the United Kingdom. What was infinitely more important, they urged that steps should be taken by the Government to secure international recognition and enforcement of all broad regulations designed to secure safety at sea. The shipowners' Committee went farther, and urged the importance of international agreement as to the limit of shipowners' liability and as to passenger claims.<sup>1</sup>

These recommendations were of extreme importance. Before the war, much good work had been done by International Conferences and by such bodies as the International Maritime Committee in the codification and unification of maritime law and practice; but the work had been interrupted by the war, and the war itself had created, in all countries, a tendency to the development of a narrow and rigid nationalism. In view of the intensified competition which was anticipated in international trade, it was of the first importance that shipping, at any rate, should be protected from the working of this spirit, for in no other industry was contact between nations so intimate, or the likelihood of friction so great. Further, the international regulation of standards was the only means by which the demands of a quickened social consciousness could be satisfied, without pressing hard on owners in the more progressive countries.

<sup>1</sup> Cd. 9092, p. 114, pars. 323-6; *Joint Committee's Report*, pars. 99, 100, 124-126.



## CHAPTER XXIV

### THE FIRST STAGES OF DE-CONTROL

ALTHOUGH the armistice involved nominally only a suspension of hostilities, the stringency of its terms, especially in regard to the surrender of the German fleet, enabled shipping to be relieved at once of many of the burdens imposed by a state of war. On the very day the armistice was signed the Admiralty gave instructions for the suspension of the convoy system, and all restrictions imposed on navigation for defensive purposes were rapidly swept away. On 11th November, too, the State Cargo Office closed its doors, and the war risk premium on hulls was reduced at a single stroke to 2*s.* 6*d.* per cent. for a single voyage, or 15*s.* for a three months' time policy. As the minefields were revealed and swept up, the time premium was reduced, within a few weeks, to 7*s.* 6*d.* and then to 5*s.* per cent.

The restoration of economic freedom to the shipping industry was, nevertheless, a gradual and lengthy process. It was, indeed, possible at once to employ in the carriage of essential imports a number of ships no longer required for war purposes, and to re-direct some of the diverted liners into their normal trades. Such re-direction of liner tonnage was greatly facilitated by the fact that the Australasian trade—more drastically treated than any other of the main services—was that in which there was the largest demand for shipping for repatriation purposes. This resumption of normal activities involved, however, no slackening in the administrative control of shipping. A certain number of vessels on naval and military service were released from requisition, and in the North Atlantic the lines were permitted to book at their own discretion a small proportion of their space; but it was some months before there was any general relaxation of control.

It must be remembered that the control of shipping had now become inextricably entangled with the Inter-Allied control of commodities and finance. That control it was considered desirable to maintain at least until the final conclusion of peace; partly as a means of pressure on the Central Powers; partly as a safeguard

against the appearance or even the suspicion of economic rivalry among the Allied and Associated Powers, which might impair their unity of front at Versailles.

Apart from this, the Inter-Allied authorities were apprehensive of the consequences that might follow a sudden relaxation of control. Every European country, belligerent or neutral, had a big import deficit to make good, and the visible supplies of many important commodities were inadequate to the demand. Further, while the cessation of hostilities did much to relieve the tonnage position, the repatriation of the armies involved troop movements on a colossal scale. Even if adequate supplies were procurable, a sudden transition from control to freedom would probably be followed by a period of violent fluctuations in freights and prices, producing among the war-wearied peoples such an outcry as no Government dare face.

The necessity for some measure of control by licence, to ensure a sufficiency of tonnage for essential supplies, was admitted, as we have seen, by the shipowners themselves ; but the scheme adopted went far beyond this. It had been decided to continue, for the time being, the import of cereals, sugar, and many other commodities on Government account, and the Government had no intention of leaving the freights on such imports to find their level in a free market. The licensing system was adopted as the main instrument of control ; but the issue of licences was supplemented by the direction of individual vessels into specified employment, and by the fixing of limitation freights on Government cargoes.

The same methods were employed for ensuring the supply of tonnage to France and Italy. The Allied Governments were preparing to release requisitioned shipping, and it was impossible, in the circumstances, to continue the allocation of British vessels to their service at Blue Book Rates ; but without the assistance of British tonnage neither France nor Italy could procure adequate supplies, and it was deemed essential, for political reasons, to keep down the cost of that assistance. The British Government accordingly undertook, by an agreement dated 22nd January 1919, to direct into the service of France, at rates not exceeding 25s. a month per deadweight ton for tramps of 2,500 tons deadweight and

upwards, or equivalent freight rates, sufficient British shipping to maintain at the level of 31st October 1918 the total tonnage under all flags in the French import services.<sup>1</sup> In the following month a similar agreement was entered into with the Italian Government.

Meanwhile, the Shipping Controller had issued, on 15th January, a notice to the effect that, on and after 1st March, privately-owned ships, other than those required for naval and military purposes or other special employment, would be released from requisition as fast as they returned to their ports of redelivery in the United Kingdom, and that owners were now free to make arrangements through their own agents or brokers for the subsequent employment of their ships, subject to the necessity of obtaining licences and to the Controller's power of direction and freight limitation. The right to requisition, should emergency arise, was also expressly reserved.<sup>2</sup>

It will be observed that release was to be given 'at ports of redelivery in the United Kingdom'. The owners of vessels in trooping service, mostly liners, were entitled under the terms of the charter-party to demand redelivery at the port where the ships were taken up. The collier charter, applied to oilers and all ships carrying animals or cargoes on full requisition, stipulated for redelivery at a home dockyard or a coal port in the United Kingdom, and the offer of release at a dockyard was sometimes taken in bad part by the owners of ships not on collier service. Both during and after the war redelivery was frequently given, by mutual agreement, at ports other than those named in the charter, and even at ports abroad.

Before a ship could be redelivered, she had to be reconditioned. The Government were bound to make good all damage due to war risks, and to reinstate vessels specially fitted for particular employment such as service as an armed merchant cruiser, trooping, the carriage of horses and mules, or the carriage of oil in double bottoms. For this purpose a joint survey was made, and any dispute as to the extent of the work required was generally settled by direct negotiation.

<sup>1</sup> The standard rates paid to neutrals by the Inter-Allied Chartering Committee during 1918 varied from 40s. 6d. to 45s. 6d. for vessels of this size, war risks being for charterers' account.

<sup>2</sup> *Chamber of Shipping, Annual Report, 1918-19*, pp. 31-2.



In some instances the cost of reinstating a vessel specially fitted for a particular service proved to be greater than the value of the fittings themselves, and, with the owner's consent, the fittings were accordingly left on board. The result was, at times, to enhance the value of the vessel, as when a steamer had been converted into a remount ship by the erection of fittings suitable for the cattle trade ; but as the owner had not been consulted as to the use made of his ship, and the fittings were left in her for the Government's benefit, no claim could be made against him in respect of the improvements. When, however, it was known from the first, as in the case of ' Q ' -ships, that the cost of reconditioning would be exceptionally heavy, the ship was usually bought outright at the time of conversion.

The actual work of reconditioning was not always done before the release of a vessel. During the freight boom of 1915-16 owners who saw a prospect of remunerative employment were often anxious to obtain immediate possession of a ship released from Government service, and as the Blue Book hire continued until final delivery of the ship, the Transport Department were glad to meet them by offering a lump sum in lieu of reconditioning, leaving the owners to do the work at their own convenience. The same course was frequently followed after the war, as, owing to the pressure on the repair yards, many owners were willing, in order to obtain immediate possession of their ships, to accept less than the actual current cost of reinstatement.

The release of ships under Liner Requisition required separate treatment. The Heads of Arrangement provided that the agreement should terminate at the date of termination of the war, with an option to the Controller to give three months' notice of cancellation, prior to that date. The war, of course, would terminate, legally, only on the final signing of the peace treaties ; but the Controller was prepared to release the ships—on terms—without awaiting that very uncertain event.

By the terms of release, as agreed with Lord Inchcape, on behalf of the Negotiating Committee, the three months' notice was deemed to expire on 15th February 1919, and subject to acceptance of the terms, the ships were released on completion of their first discharge after that date in a home port of any liner



trade. In the event of discharge taking place at a port from which the line in question did not operate, owners were given the option of redelivery at a home port in any trade in which they were an Established Line, or in case of discharge in the United Kingdom, at a selected port.

After release, all vessels remained subject to control by licence and direction, and, so long as required, to priority instructions for the employment of cargo space. The owners undertook, further, certain definite obligations as regards the carriage of Government cargo and passengers.

In the first place, troops, sailors, and their dependants, munition workers, and similar Government passengers were to be carried, in such numbers as the Ministry of Shipping might require, at agreed rates in the North Atlantic, and in other trades at an equivalent of Blue Book Rates, based on a calculation of the space occupied. In the North Atlantic, fitting and reconditioning under the new agreement were to be borne by the lines, who took over, at a valuation, existing Government fittings. In other trades the Government bore the cost. Reasonable compensation was arranged in the event of loss caused by diversion ; but no demurrage was to be claimed in respect of any delay, under three days, caused by unreadiness to embark, and no claim was to be made by the Government in respect of embarkation delays.

Secondly, the lines undertook, until 31st August 1919, to load Government cargo, if required, up to 70 per cent. of the available cargo capacity of their fleets (exclusive of insulated space). After that date the proportion was reduced to 50 per cent. Such cargo was to be carried at current Government cargo rates, not exceeding those operative in February 1919.

These obligations were to remain in force, so far as troops and passengers were concerned, until 31st August 1920 ; so far as cargo was concerned, until 31st December 1919, or 31st March 1920, at the option of the Government. In respect both of troops and cargo the Government retained an option to terminate the agreement at any earlier date, on three months' notice.

To the terms of this agreement there was one important exception. It will be remembered that the insulated space on meat-carrying liners was under requisition by the Board of Trade,

not by the Controller. The current meat contracts did not run off until three months from the end of the war, and the difficulty of winding up commitments and disposing of the accumulations at Australasian ports rendered it very uncertain when the control of meat supplies would be removed. Insulated space was accordingly excluded from the release, and the lines were left to make the best terms they could with the Board.

Under the old agreements, concluded in the spring of 1915, Plate liners received from 50s. to 60s. and the Australasian liners 72s. 6d. per 40 cubic feet. These rates had never been varied. In the summer of 1916 the Plate shipowners had asked for an increase on the ground of increased working expenses, but the request had been refused. The actual advance in running expenses, however, was very heavy, and under the Liner Requisition Scheme these expenses were debited to the Government in voyage accounts. To cover them, the freight charged by the Ministry of Shipping on Government cargoes from the Plate had been raised to 85s., and on cargoes from Australasian ports to 132s. 6d. These rates the Ministry of Shipping considered to be fully justified by the cost of operating, and they were accordingly taken as the basis of the new agreement between the Board of Trade and the lines, which was concluded on 7th April 1919, to run for twelve months from 1st March.<sup>1</sup>

Under the new agreement the Board retained their right of diversion, subject to the payment of additional out-of-pocket expenses, and the shipowners agreed to waive, for a period of six months, all claims for demurrage at ports in the United Kingdom. Subsequently to the expiration of this period these delays became very serious, owing to the congestion of cold-storage accommodation, and as from 15th November 1919 the Board agreed to pay demurrage when a ship was held up solely by the Government's inability to take delivery of refrigerated cargo.

While the liner agreements were being negotiated, considerable progress had been made with the release of fully requisitioned tonnage. Although 1st March had been fixed as the date on which general release was to begin, it was possible, even before that date,

<sup>1</sup> The rate of 85s. per 40 cubic feet represented approximately 1½d. per lb. on meat and 1d. per lb. on butter. The 132s. 6d. rate represented 1½½d. per lb. on beef; 1½¾d. on mutton and lamb; and 1½d. on butter and cheese.

to reduce substantially the number of vessels in full Government service. So long as large forces were still maintained on the Continent it was necessary to provide for their supply and for the movement of drafts and leave-men; but the cessation of active hostilities enabled a large number of ships to be transferred at once from naval and military to commercial employment, and considerable reductions to be made in the special services undertaken for France and Italy. Meanwhile, the total tonnage available had been increased by the completion of a number of State-owned vessels and by the return of steamers interned in German ports during the war, though these gains were partially set off by the redelivery of requisitioned neutrals. Of the vessels set free from naval and military employment, some were at once re-allocated for the carriage of cereals, sugar, and other Government cargoes; others were still undergoing belated repairs on 28th February 1919. The net result was a reduction of 184 in the ocean-going steamers on full Government service—exclusive of tankers, the general release of which was begun in December 1918—and an increase of 264 in the number of free ships. The number of free steamers between 500 and 1,600 tons was increased by 83.

It was estimated by the Shipping Controller in January that the combined effect of the removal of restrictions on navigation and the transfer of tonnage to commercial employment was equivalent to an increase of 10,000,000 tons a year in the importing capacity of the country,<sup>1</sup> and the first effect of the cessation of hostilities was an actual glut of tonnage, more particularly at the coal ports, which led to half a million tons of shipping being sent away in ballast during December 1918. It was not long, however, before the pendulum swung back. To the revival of the normal peace demands was added the work of repatriation and European relief. For this the surrendered enemy shipping had been earmarked; but owing to a prolonged wrangle over the terms of surrender, it was not till 21st March 1919 that the first ship left a German port, and not until May that the services of German tonnage became an effective factor in the world's transport. The results of this delay were deplorable; it combined with financial difficulties to postpone the reprovisioning of Germany, and it

<sup>1</sup> *The Times*, 6 January 1919.



entailed the retention of much British and Allied tonnage in military service.

Meanwhile, a large proportion of British shipping was carrying out postponed repairs, or reconditioning prior to release, and owing to strikes in the repair yards, many vessels remained off service for long periods. The output of new tonnage was still restricted by labour difficulties, and the carrying-power of the ships available was seriously reduced by port congestion. In their haste to make good the import deficit, the buying departments rushed imports across faster than the ports could receive them, and the effect of labour troubles at the ports themselves added to the dislocation and delays. Far from showing the improvement anticipated as a result of the cessation of hostilities, the tonnage situation in March 1919 was such as to recall the most acute crises of the war.

From this point matters began to mend. The accumulations in the repair yards were gradually cleared off; ex-enemy tonnage and new standard steamers replaced requisitioned vessels in naval and military employment, and rapid progress was made with the restoration of the liner services, both in the direct and in the cross trades. By the end of June 1919 the British ocean-going tonnage in the import service of the United Kingdom had risen to 9,340,000 deadweight, as compared with 6,696,000 on 31st October 1918, and 7,467,000 in February 1919. At the same time a substantial increase in the tonnage trading for the Dominions and foreign countries showed that British shipping was regaining its place in the world's carrying trade.<sup>1</sup>

<sup>1</sup> Employment of steamers of 1,600 tons gross and up (exclusive of tankers) in 1,000 tons deadweight.

	31 Oct. 1918	28 Feb. 1919	30 Apr. 1919	30 June 1919
War services . . . . .	4,858	3,347	2,013	1,547
Repairing and surveying . . . .	1,328	2,148	1,706	1,493
Unallocated . . . . .	—	739	272	54
Import service of Allies and Neutrals .	3,575	2,959	4,017	4,269
Trading for Dominions and Colonies .	1,445	1,762	2,098	2,196
Import service of United Kingdom .	6,696	7,467	8,321	9,340
Coasting, cables, &c. . . . .	77	109	160	125
<b>Total . . . . .</b>	<b>17,979</b>	<b>18,531</b>	<b>18,587</b>	<b>19,024</b>



The greater part of this tonnage was now, at least nominally, free. From 1st March onwards fully requisitioned ships in the various commercial services, including those of the Allies, were released to their owners as fast as they returned to their ports of redelivery, and the acquisition of ex-enemy tonnage permitted a steady reduction in the number of British ships on military service. Yet even on 30th June, nearly eight months after the signing of the armistice, 532 ocean-going steamers, or 18 per cent. of the whole (exclusive of tankers) were still on full Government service, together with 105 vessels between 500 and 1,600 tons gross. Of the ocean-going steamers, 59 were under repair and 280 in naval or military service. The remainder were mostly carrying Government imports on voyages begun prior to 1st March, including a number of ships sent out to Australia, soon after the cessation of hostilities, to assist in lifting the huge accumulations of wheat.

The process of releasing requisitioned tonnage was, however, more nearly complete than these figures would suggest, for about half the ocean-going vessels on full Government service were prizes or State-owned ships. With the object of facilitating the early release of requisitioned vessels, the majority of the State-owned vessels completed prior to the cessation of hostilities were retained, for some months, in Government service, and a good many standard and Canadian-built steamers completed during 1919 were taken into naval or military employment for a short period before they were disposed of.

Apart from prizes and a few vessels acquired for special purposes, no fewer than 821 contracts for new construction had been placed in the United Kingdom or overseas,<sup>1</sup> and only about a quarter of these had been fulfilled at the date of the armistice. Many other vessels were approaching completion; but a much larger number were still on the stocks, or on order, and the first anxiety of the Ministry of Shipping was to rid themselves of these heavy commitments. The contracts for no fewer than 126 ships were cancelled subsequently to 11th November 1918, and 123 others, in an early stage of construction, were taken over by the

<sup>1</sup> Exclusive of vessels ordered in the United States and requisitioned by the American Government.

builders, as a speculation, on repayment of the instalments already paid. For the successful disposal of the remaining vessels the Ministry were indebted to the enterprise and public spirit of Lord Inchcape and a group of shipowners associated with him.

By two agreements, made respectively in February and April 1919, Lord Inchcape took over, at cost price, 155 standard steamers on the stocks, on the understanding that they should be resold to British owners, in approximate proportion to the losses they had sustained. It was provided that any loss on the resales should be borne by Lord Inchcape and his colleagues, but that any profit should be applied in reducing, *pro rata*, the sale price of the vessels, so that in no circumstances could any personal profit accrue to Lord Inchcape and his friends, while the Ministry were relieved at once, and without cost, of their whole liability in respect of the ships.

Meanwhile, the first attempts of the Ministry to dispose by auction of the completed vessels had given somewhat disappointing results; for during the first two or three months of peace, shipowners were too uncertain as to their position to be very eager for new tonnage. So soon, however, as the Government's policy with regard to de-control was clearly defined, the demand revived, and the great majority of the ships completed, or approaching completion at the beginning of 1919, were ultimately disposed of without much difficulty. There were, however, in July 1919, 40 steamers actually on service which the Ministry had been unable to sell, and again Lord Inchcape came to the rescue, acquiring the ships at an agreed price per ton, for resale to British owners under conditions similar to those of the two former agreements.<sup>1</sup>

Including these 40 ships, no fewer than 373 were eventually sold as completed vessels.<sup>2</sup> Of these, 196 went to foreign owners, chiefly French, Belgian, and Italian, in part fulfilment of replace-

<sup>1</sup> In all, the tonnage comprised in the three Inchcape deals amounted to 914,000 gross or 1,400,000 deadweight, and the amount realized to about £35,000,000. No profit, commission, or remuneration of any kind was accepted by Lord Inchcape or his colleagues, and the total administrative cost of the sales was £850 or  $\frac{1}{13\frac{1}{2}}$  of 1 per cent. See 'Standard Ships and Ex-enemy tonnage, Lord Inchcape's Sales', in *Brassey's Naval Annual*, 1921-2; *Chamber of Shipping, Annual Report*, 1919-20, p. 17.

<sup>2</sup> The full number of 821 ships was completed by 5 vessels sold on the stocks to foreign owners; 15 tankers transferred to the Admiralty on completion; and 24 vessels lost on service. See Appendix, Tables 10 and 11.

ment facilities promised to the Allied Governments during the war ; the remainder were disposed of to British owners. The method of sale by auction was abandoned, owners who had sustained war losses being invited to purchase the ships at prices fixed by the Controller. The prices were fixed for British owners a little below those charged to foreigners, in consideration of the freight restrictions to which British ships were still subject ;<sup>1</sup> but both from British and foreign owners prices were obtained very satisfactory to the Ministry. The acute shortage of tonnage that became manifest during the summer of 1919 led to a boom in freights comparable with that of 1915-16, and though a heavy loss was sustained on the sale of some foreign-built ships, more particularly on those ordered in Japan at the height of the steel shortage, it was more than made good by the profits on British-built standard steamers, and the net result was a substantial credit balance.

As the result of this long series of transactions, the majority of the ships built overseas passed into foreign hands, including all but one of the wooden steamers constructed in Canadian yards, for which there was no demand from British owners. The great majority of the larger standard freighters, together with about two-thirds of the smaller types and nearly all the coasters, remained under the British flag. In addition to the ' G ' ships and others of special type, the great majority of the 'tween-deck ' B ' freighters were acquired by liner companies for the restoration of their cargo services. The single-deck freighters of types ' A ', ' C ', ' D ', and ' H ' went to replace the losses of the tramp fleets.

From the summer of 1919 onwards the monthly deliveries of completed ships sold by the Ministry became numerous, and as requisitioned ships ran off their voyages the total shipping on full Government service rapidly declined. By 30th September there were only 304 ocean-going ships in such service ; by 31st December only 159, together with 47 smaller vessels. Of the ocean-going steamers, exactly 100 were returned as Government-owned ; these included a few chartered neutrals and a few standard steamers, but the majority were prizes, whose sale had been deferred until the market had absorbed the war-built ships.

It must be remembered, however, that the freedom enjoyed

<sup>1</sup> *The Times*, 21 March 1919.



by all ships was subject to very important modifications. Every ship, whether in the foreign or the coasting trade, was still controlled by licence; all liners were bound by the terms of the Inchcape Agreement; almost all large tramps not under charter to the liner companies were time-chartered to France and Italy, or running on directed voyages.

Direction at limitation freights was applied throughout the year to the carriage of wheat from North America, Australia, and the Plate; maize from the Plate and South Africa; sugar from Cuba, the British West Indies, Java, and Mauritius; timber from Canada and coal carried coastwise between United Kingdom ports. Outward coal freights to France, Italy, and the chief bunker ports abroad were also limited until July, when the orders were rescinded. In the ore and phosphate trades freights were not directly fixed; but were restricted by the diversion into the market of sufficient tonnage to bring down the level of quotations.

In the liner trades, the proportion of space actually taken for Government cargoes, under the terms of release, varied considerably as between route and route. Taking the year 1919 as a whole, the proportion in the North Atlantic and Australian trades, where there were large quantities of wheat to be handled, averaged about one-half the total capacity of the fleets. Approximately the same proportion was reached in the South African trade and, including insulated space, in the Plate traffic. On the Far Eastern lines and the majority of the cross-trades, much smaller demands were made. Taking liners and tramps together, it was estimated by the Chamber of Shipping that approximately 25 per cent. of the imports into the United Kingdom during 1919 were carried at Government freights, and another 25 per cent. at freights affected by control.<sup>1</sup> As the commodities affected comprised most of the chief bulk cargoes, the estimate appears to be reasonable.

<sup>1</sup> *Annual Report for 1919-20*, p. 18.



## CHAPTER XXV

### *POST-BELLUM BOOM AND SLUMP*

DESPITE the rapid progress made in the restoration of British and Allied tonnage to its normal employment, the supply of carrying-power for commercial purposes continued, throughout 1919, to be inadequate to the demand. It was not the ships that were lacking ; by June 1919 the steel and iron steam and motor tonnage afloat under all flags actually exceeded by 2,500,000 tons gross the total for the last year of peace,<sup>1</sup> and seeing how greatly the volume of trade was restricted by the financial exhaustion arising from the war, it might well have been imagined that a period of superabundant tonnage and low freights was in sight.

It was far easier, however, to replace the ships sent to the bottom by mine or submarine than to restore the smooth working of that vast system of transport and distribution which the war had so grievously dislocated. As during the war, so during the period of transition from war to peace, the problem of tonnage was only one element in the problem of carrying-power.

In the first place, the redirection of trade from the shorter to the longer routes continued long after the cessation of hostilities. Germany, Austria, and Russia lay economically prostrate, and the productivity of the Northern neutrals had been seriously reduced by the effects of the blockade, more particularly by the embargo on fodder and fertilizers. Thus the sugar formerly procured from Germany, Austria, and Holland ; the grain from the Black Sea ; the timber and dairy produce from the White Sea and the Baltic had now to be procured, in whole or in part, from more distant sources. In the United Kingdom the coal output showed no improvement on the worst years of the war, and millions of tons of fuel were drawn by Continental importers from the United States.

Even more serious was the continued congestion of both British and foreign ports. Deterioration of the railways and shortage of rolling stock still hampered the removal of cargoes,

<sup>1</sup> Wooden tonnage is excluded, as the wooden ships of the American Emergency Fleet proved a commercial failure.

and the tendency of buying Departments to allow large stocks of controlled and rationed commodities to accumulate in the ports was as evident as during the war itself. A reduction in the hours of labour at British ports still further diminished their capacity to deal promptly with the stream of imports.

A further factor in the congestion of British ports was the continued stagnation of the coasting traffic. Railway rates were still restricted artificially to the level of old schedules, containing 'cut' rates between port and port originally fixed for the purpose of competition with the coasters, and now much below the actual cost of transport. Against such competition the coasting steamers found it very difficult to make head. In their case control had early been relaxed. In December 1918 the Home Trade Branch of the Ministry of Shipping suspended the practice of 'special direction', and with the exception of occasional emergencies, such as a three-weeks' programme for the renewal of the London coal stocks in March 1919, the supervision exercised over the trade after the cessation of hostilities was of a very elastic character. Running costs, however, were something like two-and-a-half times as great as in 1913, and effective competition with the railways became almost impossible.

In view of the extreme importance of restoring the distributive capacity of the ports, the situation thus created was very serious, and under pressure from the Port and Transit Executive Committee, the Government agreed, in August, to refund to merchants the difference between the railway rates and coasting freights on all import and export cargoes shipped coastwise. Thanks to this measure, a number of abandoned services were re-established; even so, the total tonnage arrived and departed coastwise during the year (excluding intercourse with Ireland) was less than half what it was in 1913.<sup>1</sup>

<sup>1</sup> The coasting subsidy was continued until 30 June 1920, by which time an increase in railway rates had come into operation. Even then, the Rates Advisory Committee appointed by the Ministry of Transport reported that the cut rates constituted unfair competition. The question was vigorously pressed by the Chamber of Shipping, the Shipowners' Parliamentary Committee, and the Liverpool Steam Ship Owners' Association, and special provision was made in the Railways Act, 1921, for revision by the Rates Tribunal of any rates which could be shown to be unfairly competitive with coasting traffic, having regard to the actual cost of transport. Since that date there has been some increase in coasting arrivals and departures; but they remain very far below the old level.

Yet another obstacle to the clearing of the ports was the issue by the Coal Controller, in July 1919, of regulations prohibiting the supply of coal for export or bunkers from any but the South Wales and Northumberland-Durham fields. These regulations were issued for the protection of domestic and industrial consumers; but how far the remaining fields were able to distribute internally their entire surplus is matter of dispute. The effect on shipping was, unquestionably, disastrous. The bunker facilities at Liverpool, for instance, were intended exclusively for dealing with rail-borne coal from Cheshire, Lancashire, and Yorkshire, and could not easily be adapted to the use of water-borne supplies from the Bristol Channel. Hence the majority of the ships had either to bunker abroad for the round voyage, involving a loss of cargo carrying-power on the homewards passage, or lose time in going round to the Bristol Channel, and awaiting their turn at the crowded coal ports.

The net result of all these obstacles to quick turn-round was a decrease in the annual carrying-power of the available tonnage, as compared with 1913, estimated by the Chamber of Shipping at from 30 to 40 per cent.<sup>1</sup> Slow as was the recovery of the world's commerce, the recovery of ocean transport lagged far behind it.

The natural consequence was seen wherever the freight markets were sufficiently free to reflect existing conditions. The rates quoted in the open market were, even now, far below the few quotations that can be traced during the last two years of the war, or the rates then fixed by the Ministry of Shipping for the carriage of private cargoes; but they were higher, generally speaking, than those ruling during the earlier years of the war, when a free market still existed and the greatest boom in the history of shipping was in progress.

The majority of these huge freights went into the pockets of Japanese or neutral owners. British competition in the open freight market was confined to the free space on liners and to such few tramps as escaped direction, and as the year went on, the contrast between free and controlled freights became very marked. During the early summer, fixtures from the Plate to Continental ports were effected at rates running up to 280s. per ton, and the

<sup>1</sup> *Annual Report, 1919-20, p. 21*



year closed with quotations ranging from 190s. to 220s. as against the 62s. 6d. allowed to British 'directed' vessels. From the Northern Range to French Atlantic ports freights were fairly steady at from 14s. to 15s. 6d., against the British directed rate of 8s. 6d. a quarter. From Java the directed rate was 90s.; while market quotations, mostly for Japanese tonnage, ranged from 170s. to 350s.

In time-charter rates the same contrast was presented. Apart from the vessels directed to charter with France and Italy, the Time Charter Order, 1919, prohibited the time-chartering of any British ship at a rate higher than 25s. per deadweight ton for vessels of 2,500 deadweight and over, without the special consent of the Controller. This Order was rescinded in July; but the liability of British tramps to direction kept down the rates, and few fixtures were effected at higher than 25s. to 27s. 6d. for a six or twelve months' charter. On the other hand, Japanese and neutral steamers were able to secure, during the latter part of the year, rates ranging from 35s. to 47s. 6d. for large vessels, and still higher rates for those employed in the European coal trade.<sup>1</sup>

The wisdom of this policy of direction and limitation freights must, of course, be judged in connexion with the whole system of import and price controls, bread subsidies and the like, by which it was hoped to ease the transition from war to peace. In the carrying trade the effect of this system was, undoubtedly, to impede the restoration of normal conditions. The commitments of the buying Departments and the actual exhaustion of some former sources of supply must, in any event, have tended to prolong the concentration of purchases on those markets where public credits were available, with the result of increasing indebtedness and unfavourable exchanges. The power of directing tonnage at fixed rates constituted, however, a standing temptation to extend those commitments, and that power appears to have been used, at times, rather to save the Departments from loss than to fulfil a real economic demand. Further, since foreign ships could not be forced to accept the limitation rates, the effect was to keep a large amount of foreign tonnage away from British ports, and this, in its turn, entailed a restriction of the employment

<sup>1</sup> See Angier's Steam Shipping Report, in *Fairplay*, 1 January 1920.



of British shipping in the general carrying trade, in order that it might be concentrated on the direct import services of the United Kingdom and on certain special Allied trades. The effect of this artificial distribution of the world-pool of tonnage militated, unquestionably, against the most economical employment of shipping, while it restricted the part played by freight earnings in the adjustment of the trade balance. It is probable, also, that the partial withdrawal of British shipping from the world markets played no small part in forcing up the quotations for foreign tonnage and for free space in British ships, and the effect of the whole system seems to have been to subsidize the purchase and transport of certain specified commodities at the expense of the general financial and economic position. The justification of this policy turns on psychological as well as economic factors, and cannot be argued without analysing carefully the effect of commodity controls. It is clear, however, that until the restoration of a free freight market, only very limited progress could be made towards normal conditions in sea transport.

On the shipowners, direction pressed hardly, for it not only limited their profits but prevented them from reviving their old business connexions, and recovering, by the free offer of their ships in the world's freight markets, ground lost to foreign competitors.<sup>1</sup> As the year went on, the limitation rates themselves became almost wholly unremunerative. All running expenses had risen enormously during the war, and they showed no tendency to decrease. The cost of bunkers, in particular, was still rising, since the price of bunker coal had been fixed by the Coal Controller at a level sufficient to cover part of the cost of producing coal for internal consumption, thus subsidizing the domestic and industrial consumer at the expense of ocean transport.

One result of the great increase in cost of bunkering was to hasten the adoption of oil-fuel in the Mercantile Marine. Before the war, many shipowners, especially in Scandinavia, had experimented with the internal combustion engine, either in full-powered ships or as an auxiliary to sail power, and when war broke out, one or two important British shipping companies were preparing to convert a number of their steamers to oil burning. The majority,

<sup>1</sup> Particularly in Eastern and American waters.

however, were still doubtful as to the reliability of the Diesel engine for continuous use, and the saving in firemen's wages by the use of oil under ordinary engines was offset by the high price of oil as compared with coal.

During the war more progress was made abroad than in the United Kingdom with the development of the motor ship, British attention being devoted mainly to the ordinary types; but the results of experience confirmed the reliability of the Diesel engine as well as its economy in carrying-space and running costs, and in the great development of motor tonnage which succeeded the war, British owners and builders took a prominent part.<sup>1</sup> Further, while the use of oil with ordinary reciprocating engines was admittedly less economical than the Diesel engine, the high and increasing cost of bunkers rendered it actually cheaper, for the time being, than coal. A large number of vessels were accordingly converted from coal to oil burners, and a large proportion of new tonnage was designed from the first to use oil fuel. It is significant that in December 1920 the British oil-burning tonnage under construction or converting was greater than the whole completed British tonnage previously fitted for oil fuel.<sup>2</sup>

Conversion to oil-burning was, however, only the lesser of two evils from the point of view of running costs, and since the future course of oil supplies and prices was uncertain, the expense of conversion was not likely to be generally undertaken. Meanwhile, the cost of fuel, whether oil or coal, remained a heavy burden on owners whose profits were limited by freight-fixing. Further, the price fixed for export coal and the limitations placed on export deprived tramp shipping, to a great extent, of its chief outwards

<sup>1</sup> Of 1,250,000 tons of motor ships recorded by *Lloyd's Register* in June 1921, 21 per cent. was on U.K. register.

	Tons.
<sup>2</sup> Built or converted to June 1919 . . . . .	1,046,000
Built since June 1919 . . . . .	116,000
Converted since June 1919 . . . . .	138,000
	<hr/> 1,300,000
Building . . . . .	1,227,000
Converting . . . . .	244,000
	<hr/> 1,471,000

*Chamber of Shipping, Annual Report, 1919-20, p. 25. Figures supplied by Lloyd's Register.*

cargo, thus placing on the homeward passage the whole expense of the round voyage. The actual dividends eventually distributed by the liner companies included in the *Fairplay* list for 1920 were rather larger than the previous year, giving an average return of 13·18 per cent. on the paid-up capital. The cargo-boat companies, on the other hand, distributed only 11·48 per cent. as against 12·47 in 1919. Both the liner and cargo-boat companies' dividends were probably paid in large part out of investment income; but they were sufficient to attract a large amount of new capital into the business. The high freight quotations on the open market, the recollection of war profits, the prospect of release from control, and the general expectation of a world-wide boom in trade after the war led a section of the investing public to regard shipping with marked favour, and they responded readily to the appeals of speculative promoters.

This tendency received a strong impetus in May 1919, when the Chancellor of the Exchequer announced that the Excess Profits Duty would be reduced from 80 to 40 per cent. Many people with little or no shipping experience rushed in not merely as investors but as managing owners, and the price of second-hand tonnage was forced up to heights exceeding anything known during the war. Sales recorded during the second half of the year show an extraordinary appreciation in values during periods of even a few months. A steamer of 7,600 tons deadweight, built in 1915 and sold in December 1918 for £152,000, changed hands in November 1919 for £200,000; another, of 7,200 tons deadweight, built in 1904, realized £150,000 in June, and £225,000 in November; in January the price of an 'A' type standard freighter was about £20 12s. 6d. per deadweight ton, by September it had risen to £29 11s. 10d. In June 1918 the *Fairplay* index figure for a new, ready, 7,500-ton freighter stood at £180,000, but by the end of the year the figure had fallen to £169,000, or £22 10s. 8d. per deadweight ton, prices having weakened on the announcement that the standard ships were to be thrown on to the market. Following the Budget announcement, and in anticipation of an early complete removal of the Excess Profits Duty, there was a rush of buyers, and by June the index figure had increased to £26, by December to £31 per deadweight ton.

The optimism thus displayed was not shared by some old-established owners who remembered the slump, fatal to so many companies, which had followed the boom of 1900. The shortage of carrying-power was due, to a great extent, to conditions which would inevitably disappear as the economic life of the world settled down into its new channels. Moreover, the tonnage under construction was unprecedentedly great, both for the United Kingdom and the world as a whole.

Great as was the destruction of shipping during the war, we have seen that the facilities for its replacement had been everywhere increased, and those facilities were now employed to their full capacity. Already, the world's total tonnage exceeded, nominally at least, the figures for June 1914; but it fell considerably short of the figures which, but for the war, would have been reached as the result of normal development. With a blindness which now seems incredible, British shipowners were urged to take the latter figure as an index to the real requirements of the world's commerce, and to strive, as a patriotic duty, to re-establish on this basis the *ante bellum* proportion of British to world tonnage. In the Dominions and in foreign countries the spirit of economic nationalism arising from the war encouraged the attempt to secure a larger proportion of the carrying trade for the national flag.

Shipowners, unfortunately for themselves, needed little urging to embark on new construction. The great British lines were naturally and properly anxious to resume their interrupted services, recover the ground lost to foreign competitors, and restore the normal balance between cargo and passenger tonnage. Unfortunately their managements were influenced, in some instances at least, by an optimism with regard to the restoration of the world's political and economic stability which events proved to be ill founded, and both in their orders for new construction and in the development of their organizations, they indulged in capital expenditure which could only be justified by a speedy return to normal conditions.

The increase in actual cost of new construction, as compared with 1914, was hardly less remarkable than the prices paid for ready and second-hand tonnage. Wages in the shipyards had doubled, and the cost of almost all shipbuilding materials was at



least two or three times as great as before the war. Further, owing to the unrest which had become permanent in the shipbuilding industry, the rate of construction was slow, so that the actual increase in labour costs exceeded the rate of wage advances. Owing to the continual rise in costs and the general uncertainty of the position, it had for some time been practically impossible to place orders except on a 'time-and-lime' basis (i. e. actual realized costs, plus a percentage of profit), which placed on the purchaser the whole burden of increasing costs. It was on this basis that the standard ships were built, and its adoption had been sharply criticized as removing the normal incentives to economy and dispatch. Its use, however, had become universal, and even after the war it was practically impossible to get shipbuilders to quote a price.

In the autumn of 1919 it was calculated that a cargo liner of insulated type which cost £135,000 before the war could not be procured, on a time-and-lime basis, for less than £500,000. By the end of 1919 the average cost of cargo-liner construction had risen to nearly £39 per ton gross, and in the following year it went up to well over £40. For tramp tonnage of good type, the cost of construction during the first two years after the war seldom fell below £18 or £20 per deadweight ton, and many ships were built at a cost of £25 per ton or more. On an average the cost of new construction during the period when war losses were being replaced may fairly be stated as about three times the 1914 level.<sup>1</sup>

Even these prices did not deter shipowners from building. It has been well remarked that 'the methods of war-time finance had apparently encouraged in this, as in other trades, an illusory belief in a necessary correspondence between cost and selling prices',<sup>2</sup> and the high cost of shipping was taken as evidence that correspondingly high freights would continue to be earned.

<sup>1</sup> The following figures were given by Mr. W. J. Noble as the actual cost of two similar vessels of 10,600 tons deadweight launched in 1914 and 1920 respectively :

	1914	1920
	£	£
Labour . . . .	24,300	66,006
Material . . . .	49,585	173,115
	<hr/> 73,885	<hr/> 203,121

<sup>2</sup> D. H. Robertson, in *Manchester Guardian Commercial*, 'Reconstruction in Europe', Section II, p. 73.

Owing to the slowness of construction arising from the shorter hours and lessened productivity of labour and from delays in the delivery of materials, the actual tonnage launched in the United Kingdom during 1919 was well below the 1913 record ; but at the end of the year nearly 3,000,000 tons was under construction—1,000,000 tons more than in December 1913. For the whole world, the actual output (exclusive of American Lake tonnage) was 6,640,000 tons, more than twice the 1913 figures. Nearly 7,700,000 tons was under construction on 31st December.

To owners who could remember previous slumps caused by over building, these figures were ominous. A glut of tonnage inevitably implied falling freights ; yet it was obvious that, with both new and second-hand tonnage at such inflated prices, very large earnings would be required to show a return on the new capital invested and enable book values to be written down to a prudent level. Moreover, enormous running costs had to be provided for. Wages remained at the war level ; insurances had to be effected with due regard to the increase in replacement costs ; the prices fixed for bunker coal constituted a heavy tax upon the industry, and every other item of expense—stores, provisions, port disbursements, repairs—stood at two, three, or four times the level of 1913. A series of tables prepared for the Chamber of Shipping from the accounts of actual voyages made by a number of typical vessels in 1913–14 and 1920, respectively, showed an average advance in running costs, exclusive of management and depreciation, amounting to 149 per cent. in the coasting and 285 per cent. in the foreign trade.<sup>1</sup>

In these circumstances, the shareholders in some old-established cargo-boat companies preferred to realize the large capital appreciation on their fleets and invest in gilt-edged securities, rather than trust to a continuance of the boom. They found ready purchasers in the big lines anxious to restore their services or extend their connexions, and in the new type of owners who had come into the business during the war. Among these recent creations was the Western Counties Steamship Company, which, in March 1920, invited subscriptions for £1,000,000 of Ordinary Shares on its acquisition of the Sutherland Steamship Company's

<sup>1</sup> *Annual Report for 1920–1*. See also Appendix, Table 44.

vessels. The issue was over-subscribed, and brought up the capital of the company to £2,250,000 in shares and £1,000,000 in debentures. The fleet consisted at that time of 28 steamers, aggregating 180,922 tons deadweight, with an average age of 13 years, and cost £22 5s. per ton. It is not therefore surprising that *Fairplay* remarked, 'The 17,000 shareholders who invested in the company must have been particularly optimistic as to the future of shipping.'<sup>1</sup> Another remarkable transaction was the sale of the Cork Steamship Company to Amalgamated Industrials, at the price of £70 for each £10 share.

Those who paid these prices were gambling both on a maintenance of high freights and on the final removal of the Excess Profits Duty. They were speedily undeceived. For the first few months of 1920 freights continued to rise and values rose with them until, in March, the *Fairplay* index reached the unprecedented level of £34 10s. per ton. The Budget of 1920, however, instead of removing the Excess Profits Duty, raised it to 60 per cent., and introduced a new impost in the 5 per cent. Corporation Profits Tax. This in itself was sufficient to check the rage for speculation, and by June the price of a new, ready 7,500-tonner had fallen to £24 per ton. By this time, however, other influences had come into play. The curve of freights fell as rapidly as it had risen. From January 1920 it is possible to measure the course of the markets by the Chamber of Shipping index number, prepared from an analysis of quotations in twenty-seven representative tramp trades, with the yearly average for 1920 as the datum line. In January this index number stood at 123; by March it had risen to 141; from this it fell away rapidly to 112 in June, and during the remainder of the year it varied between the limit of 95 and 80 until December, when it crashed to 50. The corresponding time-charter index followed, approximately, the same course.

Both the date and the extent of the break in freights varied, naturally, between route and route. We are concerned here, however, only with the broad facts of the situation. These are sufficiently obvious. By June 1920, the steel and iron steam and motor tonnage of the world was greater than in 1914 by 7,000,000

<sup>1</sup> *Fairplay*, 6 January 1921, p. 116.

tons or 14·2 per cent. On the other hand, British imports during 1920 were *less* in volume by 9,000,000 or 10,000,000 tons than in 1913, and owing to reduced output, strikes, and high prices, the coal exports were reduced by 48,000,000 tons. Taking together all imports, exports, and re-exports, the total reduction in the volume of British trade was no less than 62,000,000 tons or about 42 per cent. As against this must be placed an increase of 19,000,000 tons in American coal exports, mostly in substitution of British supplies ; but taking into account the reduced purchasing power of most European countries, and the utter prostration of a great part of the Continent, it may fairly be assumed that the percentage reduction in volume was at least as great in the world's total trade as in that of the United Kingdom.

Even after allowing for the increase in average length of voyages, the world was clearly over-stocked with shipping. During 1919 the surplus was concealed by the demands of repatriation, the execution of delayed repairs, and the acute congestion of the ports ; but by 1920 the two former factors had, to a great extent, disappeared, and the third was less acutely felt. With about a million and a half tons of new shipping taking the water every three months, a slump in freights became inevitable. Its rapidity was due to a combination of unfavourable factors—a poor monsoon in India which curtailed the export of grain, restrictions on grain exports from the Plate, and a slackening of demand from the United Kingdom, due partly to lessened industrial activity and partly to the large stocks accumulated by the buying Departments and private importers. Once the markets had broken, the continual addition of new tonnage effectually prevented any general revival.

One result of this catastrophic fall in freights was to accelerate the release of shipping from control. By the War Emergency Laws (Continuation) Act, which received the Royal Assent on 31st March 1920, the Controller's powers were continued, irrespective of the conclusion of peace, until 31st August of that year, and they were, in fact, prolonged beyond that date, for, owing to the failure to conclude peace with Turkey, a state of war existed, legally, until far into 1921. When the break in freights came, however, the Government frequently found themselves able to



secure tonnage on the open market at less than the limitation rates. A renewed spurt in North Atlantic freights during April led to a partial renewal of the liner agreement which had been allowed to lapse in March; but by midsummer it had become clear that no special powers were needed to secure a plentiful supply of cheap tonnage. The Controller accordingly intimated, on 7th July, that licences would be refused only in exceptional circumstances, and that as from 15th July all limitation freights would be withdrawn. During August the lines were finally freed from all obligations, other than those relating to insulated space, and on 4th September the Controller announced that applications for licences need no longer be made, as he would issue a general licence permitting all ships to be fixed freely in any trade. His powers, however, were only dormant, and during the coal strike in October they were used to requisition a number of vessels and to redirect or hold up between 400 and 500 others with coal on board or available for loading.

This was the last occasion on which the power of requisition or direction was exercised, and in March 1921, with the passing of the Ministry of Munitions and Shipping (Cessation) Act, the office of Shipping Controller came to an end. By this Act all powers conferred on the Controller by Defence of the Realm Regulations were expressly repealed; all other powers and duties he had exercised were transferred, with the property, rights, and liabilities of the Ministry, to the Marine Department of the Board of Trade, reorganized and reconstituted as the Mercantile Marine Department.

Of all the fetters imposed on shipping during the war, there now remained only the transfer restrictions and the requisition of insulated space. The agreement with the owners of refrigerated tonnage terminated in March 1920; but the Ministry of Food continued its purchases of dairy produce, and the Board of Trade Meat Department prolonged, mainly for the benefit of the Australian Government and shippers, on whose hands large stocks had accumulated, its operations in Australia and New Zealand. The Australasian lines accordingly agreed to renew the agreement for the period March—November 1920, and to provide, whether the power of requisition continued or no, all space required for

Government cargo up to 30th April 1921. In return, the Board agreed to increase the rate to 144s. per 40 cubic feet, to cover the increased cost of bunkers.

During 1920 a few Australasian ships were temporarily released to their owners for the carriage of New Zealand lamb to the United States, and from December onwards, as the accumulated Government stocks diminished, a proportion of space in all ships was released for the carriage of free produce. This proportion steadily increased until April, when the whole agreement came to an end.

In the Plate trade the position was rather curious. The Board of Trade's meat contract expired on 31st December 1919, and from that date the Government shipments were confined to a few special cargoes of meat and the butter and cheese purchased by the Ministry of Food. To lift the requisition, however, would expose the shipowners to ruinous losses, as the rates would automatically revert to those fixed by contracts existing at the outbreak of war. The Board accordingly continued, for the protection of the lines, who had served them well, to exercise their right of requisition, charging the meat companies the rates actually payable to the shipowners under the Agreement of March 1919. Not till August 1921, by which time the lines had been able to negotiate new contracts, did the Plate requisition come to an end.

It was in the same month that the transfer restrictions were lifted; but in considering this final act of de-control it is necessary to go back to August 1920, when Lord Inchcape, having completed his disposal of the standard ships, undertook, again without any remuneration, to dispose of the surrendered German shipping allocated by the Reparations Committee to Great Britain, and of the prize steamers still on the hands of the Admiralty.

The direct influence of these sales on the course of freights may easily be exaggerated, for a large proportion of the ships had already been employed for some months by the Ministry of Shipping, and their transfer to private owners represented no appreciable addition to the available carrying-power. On the other hand, the lists contained a number of new vessels, or of vessels which had only recently completed their repairs, and were now brought into active employment for the first time since 1914. Further, the fact that the sales were confined to British buyers,

coupled with the restrictions on the transfer of British tonnage, undoubtedly helped to stimulate the activity of foreign ship-builders and thus to maintain the output of superfluous tonnage.

Whatever its effect on freights, the sale of ex-enemy tonnage unquestionably accelerated a decline in values, which accompanied and outstripped the fall in freights ; though here again its influence must not be exaggerated, in view of the steadily increasing glut of world tonnage. By December 1920 the price of a new, ready, 7,500-ton cargo-boat had fallen to £14 per deadweight ton, the lowest level it had reached since the autumn of 1915, and the following year saw a still further decline. Bad as the year 1920 had been for shipowners, 1921 was far worse. While the supply of tonnage was still increasing, demand declined. A ruinous coal strike reduced British exports of coal to a still smaller figure than in 1920, and both imports and exports, other than coal, showed a large reduction on the figures of the previous year. American coal exports also fell away heavily, and by October 1921 the Chamber of Shipping freight index had dropped to 30. On many routes the actual freights were down to the level of 1913, while running expenses were still abnormally high. In these circumstances the position of companies which had acquired tonnage at inflated prices during the boom became almost impossible, and the anticipation of forced sales by mortgagees still further accelerated the slumps in values. By September 1921 the *Fairplay* index figure was down to £8 per ton, the level of December 1914 ; 'A' type standard freighters, which had been run up during the boom to £280,000, or £330,000 to foreign buyers, were now changing hands at £54,500 to £60,500.

Even at the low prices prevailing in 1921, it was not easy to dispose of ships, and the sale of ex-enemy steamers slackened so seriously that it became necessary to consider the advisability of permitting foreign purchases. The North of England Steam Ship Owners' Association took the lead in urging on the Government that the restrictions were largely accountable for the slump in values, and as from 1st July the sales were thrown open to buyers of all nationalities. Further, on 1st August, the President of the Board of Trade announced that he was prepared to grant, as a matter of course, all applications for licences to transfer



British ships. The result of this last concession was that many owners disposed of their older steamers, to enable them to purchase more modern German vessels, and comparatively few of the surrendered ships ultimately went abroad, with the exception of a number bought back by German owners, who thereupon cancelled their orders for new construction in their own shipyards.

Even when the whole of the ex-German shipping had been absorbed, there was no hope of a recovery in values. Shipping was now feeling the full effects of the reaction from the boom of 1919-20. The cargo-boat companies included in the *Fairplay* list for 1921 paid dividends giving an average return of 8.13 per cent. to the shareholders; but this figure would have been much reduced had all the new companies followed the example of the older concerns in writing down drastically the book value of their fleets. With ships purchased at £20-30 per ton, now worth less than half that sum, the financial position of many of these new companies was exceedingly shaky, and *Fairplay* commented severely on the action of managers who distributed dividends of 12½ or 15 per cent. tax free, which could only delude the shareholders as to the real facts of the situation.

In the two following years the crash came. The percentage of profit, less 5 per cent. depreciation, to book values, was less than 2 per cent. in 1922, and less than 1 per cent. in 1923. The actual dividends distributed in those years gave a return on paid-up capital of 5.79 per cent. and 4.81 per cent. respectively; but in both years the provision for depreciation was wholly inadequate. The well-managed, old-established companies had already written down their fleets, in some instances to breaking-up value, and could afford to distribute a decent dividend out of their trading and investment income; but many of the companies created during or after the war could neither give a return to their shareholders nor provide for depreciation. Of 64 companies included in the list for 1922, no fewer than 31 passed their dividends; in the following year the proportion rose to 42 out of 71.

Nor was this all. Many mushroom concerns had passed altogether out of existence. Amalgamated Industrials, which had so recently acquired the Cork Steamship Company at a fancy price, was one among many victims of the slump. Still more



disastrous was the crash of the Western Counties Shipping Company. Of over £3,000,000 invested in its shares and debentures, only about £400,000 was ever recovered.<sup>1</sup> Among the companies that still struggled on, hoping for better days, there were many whose fleets stood in the books at round about £20 per ton, with no reasonable hope of ever being able to write them down to a figure bearing any resemblance to their market value.

The big lines stood, generally speaking, in a stronger financial position, having ruthlessly written down their fleets out of war earnings; but several of them had watered their stocks by the issue of bonus shares, or the offer of unissued shares to the shareholders at less than market prices, and almost all of them had been compelled to increase greatly their capital and liabilities, owing to the enormous cost of replacing passenger tonnage. Apart from the general fall in freights, the Atlantic lines had been heavily hit by restrictions on emigration into the United States, and many companies were only enabled to pay a moderate dividend by the interest on their invested reserves.

It was, of course, during these years of falling freights and heavy building and running costs that the restriction of shipowners' war profits by their exclusion from the 'one account' system for Excess Profits Duty was most acutely felt. The position of many well-established companies would, indeed, have been extremely serious had not a liberal interpretation been placed on the terms of Section 40 of the Finance (No. 2) Act of 1915, relating to special relief in cases of exceptional depreciation of assets. On the basis of this clause shipowners had been encouraged, even after the Finance Act of 1917, to acquire tonnage at the high prices then ruling, on the understanding that an adjustment of Excess Profits Duty would be made after the war in respect of the difference between the cost and *post-bellum* value of such ships. By the Finance Act of 1921, the date at which the value was to be taken for the purposes of the clause was fixed at 31st December 1920; but in view of the heavy fall in tonnage values after that date, the Government gave an assurance that a reasonable latitude should be allowed in applying the provisions of the Act.<sup>2</sup>

<sup>1</sup> *Fairplay*, 4th January 1923, p. 136.

<sup>2</sup> See *Chamber of Shipping, Annual Report*, 1921-2, pp. 252-5.

Even with this assistance, replacement costs and the losses due to low freights and high running costs ate away a large proportion of the accumulated earnings. To draw up, for the whole industry, a profit and loss account covering the whole period affected by the war and its aftermath is, unfortunately, impossible. Indeed, the effects of the war are still being felt.

For the period 1915-23 inclusive, the dividends distributed by the passenger lines in the *Fairplay* tables gave an average return of 10·35 per cent. on the paid-up capital. The cargo-boat companies gave an almost precisely similar return—10·36 per cent.—and the ‘Profit from Voyages’, less 5 per cent. depreciation, shows a percentage of 11·38 on book values. These tables do not, of course, show the capital appreciation of companies wound up during the war boom, nor the loss of capital involved in *post-bellum* failures;<sup>1</sup> but while a complete financial statement for the whole industry is impossible, it may, at least, be said with safety that, while many shipping companies, managing owners, and speculators in shipping shares reaped large fortunes from the war, the financial effects on the industry as a whole differ widely from any calculation based solely on the earnings during the war boom.

It was not until 1921 that the glut of tonnage and consequent slump in freights affected seriously the output of new shipping; but from the middle of that year the decline was rapid. The cost of construction was now so far above the market price of the completed ship that few owners would place orders, and a large number of contracts were thrown upon the builders’ hands. For the eighteen months ending 30th September 1922 the new tonnage commenced in the United Kingdom was much less than for any single quarter during 1920, and the figures of shipbuilding abroad showed a similar decline. Further, the construction of many vessels was suspended, especially in the United Kingdom, owing to cancellation of contracts, or the inability of owners to pay instalments, and of 2,600,000 tons under construction in British yards at the end of 1921, work was proceeding on less than 2,000,000 tons.

<sup>1</sup> Of 82 companies in the Cargo-boat table for 1915, only 31 are to be found in the table for 1919, and only 22 in that for 1923. The companies included in the Passenger-Line tables do not vary much throughout the period, though the interests, in some instances, were merged.

This slackening of the stream of new tonnage came, however, too late to restore the equilibrium between demand and supply, and the year 1921 was marked by extensive laying-up of tonnage, either because cargoes were unprocurable, or because charters could only be secured by accepting rates insufficient to cover the expenses of the voyage. So far as the United Kingdom was concerned, the figures of laid-up tonnage naturally reached their apex during the coal strike in the summer of 1921 ; but in January 1922 there was still nearly 2,000,000 tons of shipping laid up in British ports, and for the world as a whole the figures were approximately 11,000,000. Of this, 4,300,000 tons was tonnage owned by the United States Shipping Board, the greater part of which must be regarded as, for all practical purposes, written off. The remainder, roughly 7,000,000 tons, was temporarily withdrawn from the market in hope of better times. The one satisfactory feature of the situation, from the British point of view, was that the proportion of laid-up tonnage was smaller in respect of British than of foreign shipping. Heavy as were the individual losses, British shipping was proving that it retained its old efficiency, and was gradually forcing its way back into the trades from which it had been ousted during the war. It was not, however, until 1923 that more favourable trade conditions, and particularly a revival of the coal exports,<sup>1</sup> led owners to hope that a turning-point had been reached.

In one respect, at least, shipping was more fortunate than the majority of the great British industries. Catastrophic as were the fluctuations that marked the transition from war to peace conditions, the consequent adjustments in wages were effected without resort to the weapons of industrial warfare. For this credit must be given to the working of the National Maritime Board, which was reconstituted on a permanent basis in November 1919, and through whose instrumentality the process of deflation was gradually and carefully accomplished.

It will be remembered that the standard national wage for able seamen at the armistice was 230s. a month, plus 60s. war-risk bonus. This bonus, having been granted in consideration of the increased cost of living, was not withdrawn on the disappearance

<sup>1</sup> The revival, however, was due in large part to temporary causes.

of war risks, and no change was, in fact, made in the rate of pay until June 1921, with the exception that the bonus was merged, in May 1920, into a consolidated wage.

Down to the summer of 1920 the economic position of the merchant seaman may fairly be said to have compared very favourably not only with his position before the war, but with that of workers in shore industries. The percentage increase in the A.B.'s wage index was substantially greater than in the Ministry of Labour's cost-of-living index, or in the index of average shore wages. For a brief period in the winter of that year the cost-of-living figure rose to the level of the wage index; but from this point it gradually fell away, and in April 1921 stood at 233 against a wage index of 276. The seamen's comparative advantage, however, had largely disappeared owing to the increase in shore wages.

By this time the great slump in freights which began in the spring of 1920 had been in progress for over a year, and had very nearly reached the rock-bottom of depression. With freights back to round about the 1914 level it was obvious that the industry could no longer stand an increase in wages of 176 per cent., and a cut of 50s. was agreed to by the men's side of the National Maritime Board, together with certain modifications in the over-time agreements. A further cut was proposed for December 1921; but, under pressure from the Union representatives, was postponed until 1922, on the understanding that the question should then be decided, not on cost-of-living figures, but on the capacity of the industry to pay, as shown by the freight index. Unfortunately, freights showed no improvement, and by two further cuts of 30s. in March 1922 and 10s. in May, the standard wage was reduced to 200s. a month. At this figure it gave a real wage slightly greater than in 1914, but a little lower than the average of shore industries, in which, while wages took longer to overtake the cost of living, they fell rather more slowly.

On the whole, it seems reasonable to concede the claim of the Secretary of the National Maritime Board,<sup>1</sup> that the process of deflation was fairly accomplished. If the seamen's wage fell more

<sup>1</sup> G. A. Vallance, 'The Economic Status of the Seaman, 1914-22', in *Brassey's Naval and Shipping Annual*, 1923.



rapidly than that of the average shore-worker, it must be remembered that, during a long period of rising prices, he had enjoyed a position substantially above the average, and that no cut was made until a ruinous slump had been in progress for over a year. Moreover, the process had been free from the prolonged struggles which marked the rise and fall of wages in so many industries. The effect was seen in the spring of 1924 when the men demanded an advance on the ground of the improved prospects of the industry, and the owners, while regarding the improvement as prospective rather than actual, conceded 10s. a month, on the specific ground that they would rather risk a miscalculation than imperil the working of machinery that had served so well in the past. It would be difficult to imagine a more striking contrast to the attitude of the Shipping Federation and the Unions before the war.

## CHAPTER XXVI

### OTHER *POST-BELLUM* DEVELOPMENTS

IN order to present a true picture of the economic effects of the war on the shipping industry it has been necessary to bring this narrative down, in certain respects, to a date long after the conclusion of hostilities. It is, indeed, the great difficulty of any attempt to deal with the effects rather than with the incidents of the war, that no logical halting place can be found, and this difficulty is increased by the impossibility of distinguishing clearly between the direct results of the war itself and the reactions of *post-bellum* policy. In its broader aspects the history of shipping from November 1918 onwards reflects faithfully the economic disturbance caused by four and a half years of conflict ; but that disturbance was, unquestionably, aggravated by the obstacles to trade revival presented by certain clauses of the Peace Treaties, and by the intensely nationalist policies pursued, after the war, by most of the belligerents. On the other hand, the revival of the coal export trade in 1922 and 1923 was closely connected with political developments on the Continent. Even to-day we are far from having reached a degree of economic stability permitting definite comparison between *ante-bellum* and *post-bellum* conditions.

It was not, of course, only on the financial side that the war affected shipping, and the years which have elapsed since the signature of the armistice have seen many remarkable developments in construction, policy, and organization ; but it is unnecessary to recapitulate here the analysis of war conditions already attempted, and it would be foreign to the purpose of this book to enter on a description of *post-bellum* developments, however important, the origin of which cannot be traced to those conditions. Only brief mention can be made of other developments which, though they may have been stimulated by the events of 1914-18, cannot be ascribed exclusively to war causes.

Such brief reference must suffice, for instance, for the progress made since the war in the use of oil fuel, the greatest revolution

in ship construction since the transition from sail to steam. There is no doubt that the use of oil fuel in merchant ships received an impetus from the great extension of oil-burning in the Navy during the war, the consequent increase in the tanker fleets, and the establishment of British factories for the production of Diesel engines. It received, as we have seen, a still stronger impetus during the period of de-control, from the enormous rise in the cost of bunker coal, and in June 1924, 3·09 per cent. of the world's tonnage consisted of motor vessels, and 26·79 per cent. of oil-burning steamers. What is still more significant, nearly one-third of the tonnage then under construction was motor tonnage. So far as the use of oil in furnaces is concerned, this development may be attributed mainly to war influences ; but the future of oil at sea lies, undoubtedly, with the internal-combustion engine, and here the war did, probably, no more than accelerate a process that the march of invention had rendered inevitable.

So, too, the disappearance of the sailing-vessel from the ocean-tracks, now almost complete, was hastened by the destruction of sailing tonnage and the great increase of the wages bill ; but, in any event, the passing of the 'wind-jammer' was only a matter of time. Its causes were economic, not military.

More strongly marked, and closely connected with the financial conditions already described, was the influence of the war on the internal organization of the industry. The tendency to amalgamations and combinations was, indeed, increasing for some time before the war ; but we have seen that it was greatly accentuated by war conditions. The result has been to extinguish many well-known fleets as separate interests, and in particular to increase enormously the influence of the 'Big Five'—the P. & O., Royal Mail, Furness Withy, Ellerman, and Cunard groups. There are some who hold that the tendency has been carried too far, and that when the present heads of the big combinations are gone—men trained in a school of unrestricted competition—these vast aggregations of interests will prove too unweildy for successful operation. It must be remembered, however, that in some, at least, of the largest groupings, the individual traditions and initiative of the component lines are jealously preserved.

It was not only by the process of merger and absorption that

the big lines made good their losses, and their purchases of tramp tonnage, coupled with the practical extinction of the tramp business during the war, had the result of disturbing, to a very marked extent, the old balance between tramp and liner tonnage. This tendency persisted after the war, and some tramp owners contended that the close association of the liner organizations with the Ministry of Shipping gave them an unfair advantage when the standard ships were being sold. A more convincing explanation of the failure to restore the balance is to be found in the urgent need of liner companies to restore their services, their larger financial resources, and the uncertainty of the outlook. The decline in coal exports, and other features of the transition period, hit the tramp owners particularly hard, and they were slower than the lines to make good their losses; while the new speculative owners who came into the market in 1919, looking mainly to immediate profit, were more inclined to pay fancy prices for second-hand ships than to place orders for new construction. Unquestionably, the proportion of liner to total tonnage is considerably larger to-day than before the war; but any real trade revival would probably have the effect of an increase in the tramp fleets.

Apart from questions of ownership, the effect of war conditions was, undoubtedly, to strengthen the internal organization of the industry. Both the desire of the Government to secure the co-operation of the shipowners in meeting war emergencies, and the desire of the shipowners themselves to put their case effectively before the controlling authorities, increased greatly the work and the influence of the Chamber of Shipping and the Liverpool Steam Ship Owners' Association. During the years 1917 and 1918 the Chamber was thoroughly reorganized on a basis making it more representative, especially of the liner interests, and providing for an increase of permanent staff which added greatly to its efficiency. Further, co-operation between the Chamber and the Liverpool Association became closer, more continuous, and more effective, as was shown by the work of their Joint Committee on trade after the war, and their joint initiative in convening the great international shipping conference of 1921.

The Shipowners' Parliamentary Committee, the Shipping



Federation, and the Merchant Shipping Advisory Committee continued to perform the same functions as before the war ; but the work of the Shipping Federation has been profoundly affected by the events of 1917-18. The organization set up to deal with manning and wages questions during the war was maintained after the armistice. Early in 1919 the various bodies representing officers and men of the Mercantile Marine were affiliated in a new organization, the Seafarers' Joint Council, and in November of that year, as we have seen, the National Maritime Board was re-organized on a permanent basis, the system of joint supply, which had worked so well in the war, becoming a permanent feature of the industry.<sup>1</sup>

To the credit of the National Maritime Board must be set the successful accomplishment of the difficult task of wage deflation, and there can be no doubt that the general conditions of service afloat are to-day very substantially better than before the war. Real wages have increased, even allowing for deflation, and the seaman has been brought within the scope of the Unemployment Insurance Scheme.<sup>2</sup> The crew accommodation, not only in standard ships but in other vessels built during and after the war, shows a great advance on older standards ;<sup>3</sup> the cooking and

<sup>1</sup> Under the new organization the full Board consisted of 120 members (15 of each side to form a quorum), and for all other than general purposes was divided into five panels on each of which the Shipping Federation and Liverpool Employers' Association had 12 representatives. The representatives of the employed were appointed as follows : *Masters Panel*, 6 by the Imperial Merchant Service Guild, the Mercantile Marine Service Association, and the Association of Coast-wise Masters, Mates, and Engineers, 6 elected by ballot ; *Navigation Officers' Panel*, 12 by the three bodies above named ; *Engineer Officers*, 12 by the Marine Engineers' Association and the Amalgamated Society of Engineers ; *Sailors and Firemen's Panel*, 12 by the National Sailors' and Firemen's Union and Hull Seamen's Union ; *Catering Department Panel*, 12 by the National Union of Ships' Cooks, Stewards, Butchers, and Bakers. The functions of the Board and the arrangements for District Committees and Port Consultants were on similar lines to the old scheme. At a later date the Cooks' and Stewards' Union, being dissatisfied with the conduct of deflation, broke away from the Board and the Seafarers' Joint Council, and joined the National Seafarers' Union, which had never been represented on either the old or the new Board. Many cooks and stewards are, however, members of the Sailors' and Firemen's Union.

<sup>2</sup> A considerable sum known as 'Lascar Moneys' has been accumulated from the compulsory employers' contributions under this and the Health Insurance Scheme in respect of men not domiciled in the United Kingdom, who are themselves exempt from contribution and not entitled to benefit. This fund has been utilized for the general benefit of seamen, *inter alia*, by the payment of pensions to men past work but not yet eligible for old-age pensions.

<sup>3</sup> Shortly after the war there was an agitation for the provision of separate cubicles in all ships ; but it appeared that the feeling among the men was very divided—many preferring the greater sociability of the normal arrangements.

messing arrangements have been improved, and many owners have co-operated heartily with representatives of officers and men and the Workers' Educational Association in the Seafarers' Education Service, promoted by the World's Association for Adult Education.<sup>1</sup> Unfortunately, while the Gravesend Sea School has continued to do excellent work, all proposals for a comprehensive national system of training for sea service have hitherto broken down over the question of cost.

The principal difficulties that have arisen since the war, in the conduct of the industry, have been questions relating to overtime in port and working hours at sea. In 1921 all overtime to navigating and engineer officers was discontinued; but some compensation has been found in extension of the principle of leave on pay. The question of working hours at sea naturally presents special difficulties, and is probably incapable of any but international solution.

Both the great twin institutions which take their name from the coffee-house keeper, Edward Lloyd, came through the war with undiminished prestige. The great increase in shipbuilding and shipowning in some foreign countries naturally carried with it a development of marine insurance business, and more than one Government has attempted to foster this development by restrictive legislation; but the position of London as the leading insurance centre of the world has not been seriously shaken, and a very large amount of foreign tonnage is still insured, or reinsured, on the London market, either by the great Marine Insurance Companies or by Lloyd's underwriters. As for the Corporation of Lloyd's itself, the war gave further proof, if proof were needed, of its immense importance as a channel of communication, an element of stability in the shipping world, and a source to which the Government could turn for advice and co-operation on all matters relating to shipping and marine insurance.

Lloyd's Register too still holds its own as the greatest of the Classification Societies, though its younger rival, the British

<sup>1</sup> The first ship's library supplied by the service was placed in the Blue Funnel Liner *Aeneas* in May 1920. There are now over a hundred such libraries. The programme includes the provision of cinematograph films and lantern slides, the formation of study circles, and educational work ashore. The expenses are mostly provided by the Unions, the shipowners' associations, and individual owners.

Corporation, has continued to make progress, and the tonnage classed by some of the foreign societies shows an increase due to the war programmes.<sup>1</sup> The influence and authority of the Register were increased, in 1916, by the formation of an American Committee, and in 1920-1 by the formation of local committees in France, Sweden, Japan, and Holland, while in 1922 a working accord was arrived at with the Registro Italiano (formed by the amalgamation of the Italian Registro Navale and the old Veritas Adriatico of Trieste). The chairmen of all the foreign committees became, like those of the committees previously existing in Glasgow and Liverpool, *ex officio* members of the General Committee of the Register, and each country appointed a special technical representative. This development was of great importance, not only in strengthening the position of Lloyd's Register itself, but in promoting the unification of constructional standards and enlisting the experience and skill of the best brains in all countries for the purpose of defining those standards. Its effect was seen in 1922 when new rules for the construction of steel vessels, which had been discussed and criticized by all the Branch Committees, were issued by the society.

The tendency to international co-operation has, indeed, been perhaps the most significant development in shipping affairs since the signature of the armistice. The strong nationalist sentiment excited by the war found its natural reflection in a tendency both to exercise discrimination against foreign flags and to impose domestic legislation on foreign ships within the national jurisdiction. Evidence of this tendency was afforded by the Jones Act and the discriminatory clauses of the proposed Ship Subsidy Bill in the United States, by the reservation of the coasting trade in Chile and Uruguay, and by the Australian shipping laws,

<sup>1</sup> Vessels classed by the leading societies (from *Brassey's Naval and Shipping Annual*, 1925, p. 537).

	1913	1919	1924
Lloyd's Register . . . .	10,466	9,175	10,053
British Corporation . . . .	876	1,002	1,234
U.S. Record . . . . .	846	926	2,226
Bureau Veritas . . . . .	5,165	5,706	4,903
Registro Italiano . . . . .	1,442	699	1,901
Veritas Adriatico . . . . .	1,146	516	
German Lloyd . . . . .	2,848	—	2,894
Norske Veritas . . . . .	1,504	955	1,244



as well as by the British proposals discussed in a previous chapter. On the other hand, the tendency to international co-operation in shipping affairs which had been manifest before the war was strongly reinforced by that other current of *post-bellum* sentiment which found expression in the League of Nations. It may fairly be claimed that, in the clash of these two opposed tendencies, the strong stand taken by British shipowners in favour of international equality and co-operation has played a most important and salutary part.

A great deal of the work that has been accomplished has been inspired and facilitated by the League of Nations itself. The Conventions on Freedom of Transit and on the Régime of International Waterways adopted at the Barcelona Conference of 1921, and the Conventions on Simplification of Customs Formalities, and on the International Régime of Railways and Maritime Ports adopted at Geneva in 1923, have done much to remove obstacles to international trade and transit, and to bring nearer the universal adoption of that principle of 'freedom of the seas in the sense of equal treatment of all flags in all ports' to which the Booth Committee attached so much importance as a factor in the economic restoration of the world and the avoidance of future conflicts.<sup>1</sup>

By those engaged in the shipping industry itself the importance of international co-operation has been fully realized, by none more than by the seamen. The programme of the International Seafarers' Federation, formed in 1918, was a uniform international wage scale, and international standards for manning, food, safety, accommodation, and normal working hours in harbour and at sea. The whole of this ambitious programme is not likely to be realized in the immediate future. A uniform wage scale, for instance, presents very great difficulties, in view of the wide discrepancies in shore wages and standard of life between one country and another. There is no doubt, however, that the adoption of international minimum standards as regards accommodation and

<sup>1</sup> An admirable summary of the work done by the League of Nations in this direction has been issued by the Liverpool Steam Ship Owners' Association under the title of *International Commerce, Communications, and Transit*. The United States, not being a member of the League, was not a party to these conventions, but sent 'observers' to the conferences and has shown sympathy with their object.



conditions generally is the true line of advance in an industry where international competition is so keenly felt, and there is every indication that British owners would welcome development along these lines. A beginning has been made by the International Labour (Seamen's) Conference held at Genoa in 1920. Several of the draft conventions and recommendations agreed at that Conference—such as the Convention fixing the minimum age for employment at sea at 14 years, and providing for the establishment of employment facilities, and the recommendation concerning unemployment insurance—were on the lines of action already taken in Great Britain; but the second draft Convention, proposing the payment of compensation up to the amount of two months' wages to shipwrecked seamen, marked a distinct step in advance. This proposal was approved by the Shipowners' Parliamentary Committee and adopted by the British Government.

In other directions great progress has been made towards uniformity in shipping law and practice. Within the British Empire such unification has been facilitated by the appointment of the Imperial Shipping Committee, composed of representatives of the Imperial and Dominion Governments and 'persons experienced in shipping and commerce'. This Committee has further been successful in bringing shippers and shipowners together with regard to complaints arising from the working of the Conference and more particularly the deferred rebate system.

Internationally, the progress made has been largely due to the continued good work of the International Maritime Committee, whose draft code relating to the Carriage of Goods by Sea has been closely followed in both British and American legislation, and who have, further, prepared draft Conventions relating to limitation of shipowners' liability, maritime mortgages and liens, and the legal status of State-owned ships engaged in commerce. Finally, reference must be made to the great International Shipping Conference held in London, in November 1921, at the instance of the Chamber of Shipping and the Liverpool Steam Ship Owners' Association. At this conference every maritime country of importance was represented, and the subjects discussed included the unification of shipping documents, shipowners' liability, the introduction of international load-line regulations, the carriage of

deck cargoes, the sub-division of passenger vessels, boats, and life-saving appliances,<sup>1</sup> and the taxation of shipping in foreign ports. Further, permanent joint committees were appointed to link up the various national organizations, and to prepare reports on matters dealt with at the conference for further consideration at another conference to be subsequently convened by the Chamber of Shipping.

In most of these directions much remains to be done, both in giving effect to agreements already arrived at and in framing agreements with regard to subjects not yet covered. The tendency to international action has, however, been firmly established, and it would be difficult to exaggerate its importance. In no department of human activities is the contact between nations so close and continuous as in shipping; in few lie greater possibilities of friction. The association of shipowners, merchants, and jurists of all nations for the purpose of regulating these contacts will go far both to facilitate intercourse and remove causes of dispute. More than this, it is destined to play no small part in promoting the recognition of economic interdependence, and the habit of everyday, practical co-operation, on which alone can be established a real Society of Nations.

<sup>1</sup> The experience of the war having shown that many of the provisions of the Merchant Shipping (Convention) Act of 1914 were impracticable or ill-advised (particularly as regards the relative value of boats and life-saving rafts), its operation has been postponed pending international agreement on a revised code.

## CHAPTER XXVII

### CONCLUSIONS

WE have now sketched, however briefly and imperfectly, the effects of the war on British shipping, as shown both in the events of 1914-18 and in those *post-bellum* developments which can be traced directly to war conditions. To record these experiences for our future guidance in war and in peace is the main object of this book, which aims at being a history and not a thesis ; but certain conclusions that emerge from the study of what happened during and after the war have already been suggested in the course of the narrative, and it is fitting that some attempt should here be made to draw them to a head. The survey must inevitably be brief and inadequate ; partly because we have not yet had time to assimilate the enormous mass of relevant material and attain a true historical perspective ; partly because the problem of shipping is inextricably bound up with the problem of supplies. It is impossible, for instance, to judge fairly, or finally, the measures taken to control British shipping, except as a factor in the vast organization of State purchase and State distribution created during the latter years of the war.

There is, indeed, no lesson which stands out more prominently in the economic history of the war than the fundamental unity of the whole complex system of purchase, finance, transport, and distribution which connects the consumer with the producer. We are apt to think of the voyage between port and port as a transaction complete in itself, and the use of the term ' tonnage problem ' for the problem of carrying-power has tended to confirm this attitude. Yet the war has taught us, or should have taught us, that the capacity and speed of the ships are neither the only nor necessarily the predominant factors in the problem of ocean transport. The ability of the available tonnage to fulfil our requirements depends on the loading facilities at the port of shipment and on the capacity of the port of discharge to receive

the cargo and distribute it, by road, rail, river, canal, or coaster, to the consumer or to inland storage. It depends on the synchronization of ship and railway movements, on the prompt issue of sailing and delivery orders, on the work done on the quays, in the docks and warehouses, in the offices of the shipowner and the merchant.

If the cargo is not ready at the port of shipment as soon as the vessel is ready to load, ship-days are wasted. If goods are rushed forward faster than they can be loaded, congestion ensues, loading becomes slow, newly arrived ships are kept waiting for berths. If goods are delivered at the port of discharge faster than they can be distributed, congestion again follows. Quays and warehouses are choked ; the transit sheds that should be used for checking and sorting mixed cargoes are piled high for the purposes of storage ; discharge slows down, and long lines of ships await their turn at the quays. A shortage of labour, a shortage of cranes, or trucks, or lighters ; an abnormal rush of imports ; a failure to remove cargoes promptly to inland distributing centres, may diminish the stream of imports as effectively as an actual reduction in the number of available ships. Throughout a great part of the war, the problem of 'turn-round' was at least as important as the problem of 'tonnage', and during the transition from war to peace it was congestion rather than tonnage that was responsible for the shortage of carrying-power.

Here, it would seem, is one difficulty in the way of effective State control of foreign trade. The State, as constituted for the fulfilment of its political functions, tends to act in watertight compartments, and when it extends its activities to the economic sphere, it is extremely difficult to establish any system of co-ordination between the various authorities responsible for purchase, finance, transport, and marketing or consumption, so elastic and so responsive to changes in the situation as the ordinary machinery of commerce, with its intricate dovetailing of functions between producer, exporter, financier, shipowner, importer, and distributor, and its ruthless automatic checks on inefficiency and error. It is almost impossible to find any central directing authority with sufficient knowledge and experience over so vast a field, or capable of making its power felt, automatically and instantaneously, throughout all the complex ramifications of



the economic system. It is admitted that the working of the normal commercial machinery is, in many respects, wasteful and uneconomic, and it is claimed by some who took part in the control of trade during the war that such control effected large economies, by eliminating unnecessary competition between those engaged in transactions on the same plane. It is certain, however, that the results of control left much to be desired in respect of the essential co-ordination and adjustment between the different parts of that great complex transaction by which goods are transferred from the producer in one country to the consumer in another. During the later stages of the war, great efforts were made to secure, both in national and Inter-Allied controls, this co-ordination of purchase, transport, and distribution ; but we have seen that, even then, despite the simplification of the problem by an arbitrary redirection of purchases and unlimited State credits, there were still grave break-downs in co-ordination, involving a serious waste of carrying-power. It would be grossly unfair to represent the achievements of an improvised organization, in circumstances of extreme difficulty, as representing the maximum possibilities of administrative development. The work done by such bodies as the Allied Maritime Transport Council deserves and will repay the closest study by students of economic and social science ;<sup>1</sup> but the impression remains that, in this respect at least, the war has emphasized the difficulty of replacing, by departmental control, the free play of economic forces. One thing is certain, under any conditions, whether of State Control or unfettered private enterprise, the importance of ' turn-round ', of the synchronization of shipping and railway movements, of close touch between those responsible for purchase, transport, and distribution, and of maintaining a free flow of traffic through the ports, stands out as one of the most important, and perhaps one of the least appreciated lessons of the war.

The general question of State trading as an emergency measure of supply lies, with the exception of the point above discussed, outside the scope of this book. So far as concerns the control of shipping itself, two main points appear to stand out. To be fully effective for any of the ends for which it is proposed, the control

<sup>1</sup> See Sir Arthur Salter's study in *Allied Shipping Control*.

of shipping—apart from such control of voyages as is required for purely defensive purposes—must be international in character, and it depends on the control of commodities.

To take first the last-mentioned point ; unless the cargo itself is on Government account, the only effect of fixing freights is to present an additional profit to the shipper or the importer. Unless the State is to decide definitely what is to be imported, and the priority in which different cargoes are to be shipped, it will be compelled to leave a free freight market in operation ; for it is impossible for the shipowner himself to exercise an arbitrary selection. Unless the State is in a position to ensure the arrival of goods at a port of shipment, it is useless to direct tonnage to that port. If tonnage is directed merely on an estimate of the demand, it will be necessary to provide a margin for miscalculation, with a consequent waste of carrying-power. Shipping is the handmaid of commerce, and unless the commercial interests are allowed to make known their requirements in the ordinary way, the requirements must be fixed by the State itself.

Further, it is clear that control, to be fully effective, must be internationally applied. It is impossible for any single State to fix freights on cargoes carried under foreign flags, or to dictate movements of foreign tonnage. It is not easy for any group of States to do so. Much neutral tonnage was, unquestionably, lost to the Allies through their Freight Limitation Schemes, before the general withdrawal caused by the unrestricted submarine campaign, and much more would have been lost but for the system of bunker pressure. The control exercised over neutral shipping during the latter stages of the war was rendered possible only by the overwhelming military and economic strength of the Allied and Associated Powers, and by a ruthless exercise of belligerent rights. Even then, it was necessary to pay to neutral shipowners rates three or four times as great as those allowed to British owners. Here again, the fixing of such differential rates is clearly impossible unless the State is responsible for the marketing of the goods.

It is true that foreign ships may be replaced by vessels under the national flag, withdrawn from the general carrying trade. This presupposes a reserve of shipping so employed, such as hardly

any other country except Great Britain possesses ; but the method itself is far from satisfactory. It involves the substitution of the flag as a test of employment for suitability of build, size, and position, and it plays havoc with the cross-voyages which are so important in trade and financial adjustments and in the economical use of tonnage. In any event, no Power can safely exclude, either by prohibition or by freight limitation, ships bringing cargoes from their own country.

This point has an important bearing, not only on war measures, but on all such schemes of freight stabilization as have, from time to time, been proposed. It emphasizes also the importance of general international co-operation in the fixing of minimum standards, whether with regard to safety, commercial practice, or conditions afloat, and we have seen that the war has, in fact, been followed by a great development of international activity in these directions, the lead in which has been taken by the shipowners themselves.

The control exercised during the war itself may be judged from two standpoints. Down to, roughly, the end of 1916, it was actuated mainly by the desire to restrict freights. During 1917 and 1918 its main object was the maintenance of supplies.

It is unnecessary to repeat at any length what was said in Chapter XVII ; but it does appear important to emphasize that the conditions of 1917-18 bore no relation to those of ordinary commerce. The task performed, with conspicuous ability, by the Ministry of Shipping and the Allied Maritime Transport Council, was to concentrate the available tonnage on the shortest route, as a corollary to the purchase of supplies, on the credit of the State, in the nearest markets. That concentration was necessary in the circumstances then existing ; and for the reasons discussed in Chapters XIV and XVII it could not, probably, have been accomplished without an extension and centralization of control ; but it was, in itself, a last expedient, and one made possible only by the financial assistance of the United States. It enabled the necessary minimum of supplies essential for war purposes to be maintained ; but at a price in adverse exchanges, indebtedness, and commercial dislocation, which has added immensely to the burden of the war.

The question arises whether the necessity for so drastic a measure need ever have existed. The answer must inevitably be speculative ; but it is difficult to believe that, had the Government realized at an earlier period the limited number of ocean-going ships and the vital importance of carrying-power to the Allied cause, means would not have been found at an earlier date to check the havoc wrought by the submarines, to eliminate the waste of requisitioned tonnage by the services and the Allies, to permit shipowners to replace their war losses by new construction, to clear the congested ports, and to prohibit non-essential imports. Again and again the necessity of these measures was urged by the Transport Department, the Shipping Control Committee, the Port and Transit Executive Committee, and the shipowners themselves. It is clear that some, at least, of these measures might have been adopted, with very great advantage, at a much earlier date than that at which they were effectively taken in hand, and it seems equally clear that the long delay in grappling with the root-problems of carrying-power was due in part to a failure to comprehend the gravity of the issues, in part to preoccupation with the problem of freights and profits.

What those profits were we have seen. We have seen also (Chapters VII and VIII) that the abnormal advance in freights was due to economic causes and not to concerted extortion, and that the increase in freights was, at its worst, a minor factor in the increasing cost of living. On the other hand, the psychological effect of enormous shipping profits was such as no Government could neglect, and as we have seen, the resulting orgy of speculation was bad, in every way, for the shipping industry itself.

There is, unquestionably, something repugnant in all war profits, and while actual equality of sacrifice between combatants and non-combatants is impossible, there is a strong attraction in the idea of limiting all earnings and profits to the average peace level. Unfortunately, it is extremely difficult to fix officially the reward of economic activities without destroying, not merely the incentive to maximum effort, but the normal index of efficiency and correlation of demands. If general limitation is impossible, it becomes a question how far individual industries can be singled out for differential treatment.



It has been argued that shipping profits called for special restrictions because of the key character of the industry itself and its peculiar importance to the national life. This argument leads, logically, to a somewhat startling conclusion. The fact that the products or services of a particular industry are of exceptional value to the community may be a good reason for subsidizing the consumer, as was done with bread ; but to base on this fact an argument for differential profit limitation is to suggest that, in times of crisis, the economic reward of economic services should be in inverse ratio to their value.

The taxation of war profits stands on a different footing. There was great force in the shipowners' objections to the differential treatment to which they were subjected in respect of Excess Profits Duty ; but in so far as such taxation was applied generally to all industries, they had no ground of complaint. It was just that those to whom the war had brought increased earnings should bear a proportionate share of the financial burden. Had it been possible to devise any general scheme of taxing capital appreciation, one of the most questionable factors of shipping finance would have been eliminated ; it was, certainly, an unfortunate paradox that the owner who sold his ships and retired from business should escape the taxation levied on those who continued to perform their essential functions.

The object of the Government, however, was not merely to share the profits of the industry ; but to keep them within reasonable bounds. Their mistake was in the long delay before attempting to deal with the root-evil of deficient carrying-power. Had the owners been allowed to build freely, had the ports been cleared, the effective supply of carrying-power might have been greatly increased ; had non-essential imports been restricted, the equilibrium between demand and supply might have been restored.

Whether, and for how long, these measures would have sufficed to restore something approaching a normal equilibrium, is a question on which it would be rash to dogmatize. It may be that no possible methods of increasing carrying-power and checking the curve of losses would have kept pace with the development of the submarine campaign. The difficulties of import restriction would, admittedly, have been greater in 1915 or 1916 than in

1917.<sup>1</sup> To the present writer, however, it seems clear that the attempt to restore the equilibrium between supply and demand should have been the first consideration. Nothing else could have solved the problem of maintaining essential supplies without the heavy sacrifices involved in the Atlantic concentration. And in so far as the equilibrium was restored, the restriction of freights and profits would have been achieved, automatically, with the minimum of commercial dislocation.

It is argued by some shipowners that requisition should have been made universal from the first, in order to secure equality of reward between ships required for naval and military purposes and ships left in commercial employment. The great disparity between Blue Book and market rates only arose, however, after the situation as regards carrying-power had seriously deteriorated through causes which, in part at least, were remediable. And desirable as may be the principle of equality of sacrifice, its application in war can at best be imperfect, and must often be subordinated to expediency. Deliberate attempts to evade requisition for war purposes could have been dealt with by an earlier introduction of the licensing system.

It may be added that the experiences of the war certainly suggest that, if requisitioning for commercial purposes be decided upon, the remuneration should be on a tonnage or percentage basis, and not on a flat rate. Owners whose honesty of purpose in running their ships on Government account is above suspicion are emphatic in their condemnation of the flat rate system in the commercial services.

In any attempt to apply the experience of the war, it is essential to remember that the war itself was abnormal both in its extent and its duration, and that every economic problem was complicated for Great Britain by the immense and unexpected expansion of her military commitments. It is essential also to remember that the situation created by the ravages of the submarines in 1916-17 was due to the sudden development of an offensive weapon, the true reply to which had not yet been found. On both counts, it is dangerous to regard measures, which may have become necessary in the final crisis, as precedents for the future.

<sup>1</sup> See Chapter XIII.

On the administrative side, the history of the control suggests strongly the great advantage, for all purposes of State supervision, of an industry highly organized within itself. From the first, the Transport Department depended on the co-operation of the individual owners for essential services in the running of requisitioned ships. When requisitioning became universal, the Ministry of Shipping looked to the liner companies to run their vessels on Government account 'with the same zeal and efficiency' as if they retained a pecuniary interest in the success of the voyages. This trust would have been impossible had not the terms of requisition been arranged with bodies fully representative of the industry and organized strongly enough to speak for it. At every step in the development of the control, at every crisis of the tonnage problem, the advantage of direct negotiation with the two great shipping organizations—the Chamber of Shipping and the Liverpool Steam Ship Owners' Association—was clearly manifest. The details of Liner Requisition and of the requisitioning of insulated space could neither have been worked out nor administered without the whole-hearted co-operation of the Conferences. The basis of the State Insurance Scheme was its administration by the War Risk Clubs. The one great defect in the organization of the industry was its weakness on the labour side, and the development of the manning problem in 1916–17 compelled that defect to be made good by the creation of the National Maritime Board. The fact that some individual owners were obstructive, or resorted to shady means of evading requisition, only brings into stronger relief the importance of being able, on general questions of policy, to negotiate with representative bodies whose authority and prestige brought with them a sense of responsibility.

With regard to the economic organization of the industry for the performance of its normal functions, the rapidity of the initial adjustment to war conditions, and the volume of imports maintained, in circumstances of extraordinary difficulty, during 1915 and 1916, suggest a high level of efficiency. The advantage, to a country so dependent on imports as Great Britain, of a large mobile reserve of tonnage engaged in general trade was clearly demonstrated. The emergencies of war were met by an extension of the same process by which the fluctuations of demand are met

in time of peace. When the pool became exhausted in 1917, the situation was extremely serious ; but the situation at that period bore so little relation to those presented by even the widest fluctuations of economic demand that, as was suggested in Chapter XVII, they can form no fair basis for criticism of the industry.

The strength of British shipping, as revealed by the war, lay in its flexibility and capacity for rapid adjustment to changed conditions ; its weakness lay in the propensity of shipowners to take short views. The abnormal freights of 1915-16 and 1919-20 were mainly the result of circumstances over which shipowners had little control ; but the inflation of values was due in part to the short-sighted activities of a speculative element in the industry, whose eagerness to share in the profits of the boom blinded them to the probable consequences of the inevitable reaction. The crash, when it came, was accentuated by the over-confidence displayed in the years immediately succeeding the war, and repeated all the features of previous slumps.

It would, however, be a disastrous error to imagine that any degree of wisdom and foresight on the part either of the shipowners or of the authorities could have averted the consequences of the war itself. For four and a half years, a proportion of the total British ocean-going tonnage rising from 20 to 30 per cent. had been definitely withdrawn, for naval and military purposes, from the trade of the world, and the employment of the remainder had been dictated, in large measure, not by economic but by military needs. During that period seven and three quarter million tons of British shipping had been destroyed by enemy action alone. The replacement of those losses had been impeded, the effective carrying-power of the ships remaining in commercial employment had been reduced, by the diversion to war purposes of labour, material, and facilities in the shipyards, ports, and railways. The rate of loss might have been checked, the output increased, the dislocation alleviated, by greater wisdom and more thorough previous study of war's economic reactions ; but it is idle to suppose that a task of such magnitude as that described in Chapter XX could have been imposed on British shipping without a price being paid.



There is a tendency even now to minimize that price. Because British imports were reduced in 1918 by nearly 20,000,000 tons without immediate disaster, there is a tendency to assume that a large proportion of the Mercantile Marine is engaged in the carriage of superfluities. There could be no greater error. The luxury trades, properly so called, are profitable to the shipowner by reason of the high freights which luxury goods will bear ; but they employ little tonnage in comparison with the great bulk cargoes of food-stuffs and essential raw materials. As soon as the problem of import restrictions was taken in hand, it became evident that the main cuts must be made in commodities usually regarded as necessities.<sup>1</sup> The available carrying-power was enabled to bring in the imports essential for war purposes, only by drastic restrictions on the consumption of food-stuffs, by still more drastic restrictions on the materials required by the leading industries of the country, and by financial methods which added enormously to the burden of the future. The difficulties of the reconstruction period—the burden of debt, the deterioration of plant, of railway rolling-stock and of port facilities, the shortage of manufacturers' stocks and loss of markets, the housing shortage<sup>2</sup>—were largely due to the effects on shipping of war demands and war losses, as well as to the diversion of labour and material to military purposes.<sup>3</sup>

So too, the great *post-bellum* slump, while accentuated by undue optimism and by political developments themselves arising out of the war atmosphere, was, in the main, the inevitable outcome of war conditions. The surplusage of tonnage was due in part to the necessity for British owners, especially liner companies, to restore their services, with the object of regaining lost goodwill ; in part to the artificial stimulus given by war conditions and war demands to foreign shipbuilding ; most of all to the effect of four and a half years' devastation and dislocation on the volume of the world's trade. The chief significance of the slump is the evidence it affords as to the lasting effects of the war on international commerce.

<sup>1</sup> Brewing materials were perhaps the chief exception.

<sup>2</sup> Due in part to the drastic restriction of timber imports.

<sup>3</sup> For a detailed analysis, see *Seaborne Trade*, especially vol. II, Chapters xx and xxv, and vol. III, Chapters iv, xi, xvii, xxvi, and xxvii.

There is a profound significance in the great development, after the war, of the tendency to international co-operation in shipping affairs, and in the resistance offered by the great ship-owners' organizations to the deflection of *post-bellum* policy by war aims and war sentiment. To shipping, as to other industries, the war brought a period of feverish and artificial prosperity, offering to individuals the opportunity of quickly acquired fortune, and to the industry as a whole, large immediate profits ; but to shipping, perhaps beyond all other industries, the free play of economic forces and the free growth of exchange between nations is the essential foundation of healthy and permanent prosperity. To such conditions war and the war spirit are alike utterly opposed.

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TABLE No. 1

NUMBER AND TONNAGE OF VESSELS REMAINING ON THE REGISTER OF THE  
UNITED KINGDOM ON 31ST DECEMBER IN EACH YEAR, 1913-22

	Steam and motor			Sail		
	No.	Net tonnage	Gross tonnage	No.	Net tonnage	Gross tonnage
		<i>000</i>	<i>000</i>		<i>000</i>	<i>000</i>
1913	12,602	11,273	18,683	8,336	847	922
1914	12,862	11,622	19,145	8,203	794	865
1915	12,771	11,650	19,166	8,019	777	845
1916	12,405	11,037	18,186	7,669	715	777
1917	11,534	9,607	15,880	7,186	625	680
1918	11,334	9,497	15,710	6,857	604	655
1919	11,791	10,335	17,160	6,555	593	643
1920	12,307	10,777	17,966	6,309	584	632
1921	12,660	10,932	18,289	6,272	610	657
1922	12,787	11,223	18,834	6,184	574	619

TABLE No. 2

## BRITISH AND WORLD TONNAGE

(a) *Gross tonnage of steam and motor vessels of 100 tons gross and up  
recorded in Lloyd's Register Book*

June	World total	United Kingdom	Percentage of total	British Empire	Percentage of total
	<i>1,000 tons gross</i>	<i>1,000 tons gross</i>		<i>1,000 tons gross</i>	
1914	45,404	18,892	41·6	20,523	45·2
1915	45,729	19,236	42·6	20,831	45·5
1916	45,248	18,825	41·6	20,463	45·2
1917 1918	} Figures not available				
1919	47,897	16,345	34·1	18,208	38·0
1920	53,905	18,111	33·6	20,143	37·4
1921	58,846	19,320	32·8	21,588	36·6
1922	61,343	19,089	31·1	21,615	35·2
1923	62,335	19,115	30·7	21,694	34·8
1924	61,514	18,954	30·8	21,545	35·0

TABLE No. 2 (*continued*)

## BRITISH AND WORLD TONNAGE

(b) *Gross tonnage steel and iron, steam, and motor vessels only, excluding American and Canadian vessels on the Great Lakes*

	June 1914	June 1921	June 1922	June 1923	June 1924
World total (1,000 tons gross) .	42,514	54,217	56,802	57,939	57,530
United Kingdom (1,000 tons gross) .	18,877	19,288	19,053	19,077	18,917
Percentage of total . . .	44.4	35.6	33.5	32.9	32.9
British Empire (1,000 tons gross) .	20,284	21,338	21,254	21,296	21,131
Percentage of total . . .	47.7	39.2	37.4	36.7	36.7

TABLE No. 3

## BRITISH AND WORLD SHIPBUILDING

*Tonnage of merchant vessels of 100 tons gross and upwards  
launched in each year, 1911-23*

(*In 1,000 tons gross*)

	United Kingdom	U.S.A. coast	Japan	Rest of the world	Total
Average 1911-13	1,825	173	56	908	2,962
1914 . . .	1,683	163	86	920	2,852
1915 . . .	651	157	49	344	1,201
1916 . . .	608	385	146	549	1,688
1917 . . .	1,163	821	350	604	2,938
1918 . . .	1,348	2,602	490	1,007	5,447
1919 . . .	1,620	3,580	612	1,332	7,144
1920 . . .	2,056	2,349	457	1,001	5,863
1921 . . .	1,538	995	227	1,581	4,341
1922 . . .	1,031	79	83	1,255	2,448
1923 . . .	646	96	72	829	1,643

TABLE No. 4

## WAR LOSSES OF BRITISH SHIPPING

(Including fishing vessels and vessels on Dominion  
and Colonial Register)

*In 1,000 tons gross*

	1914	1915	1916	1917	1918
January .	—	32	62	154	180
February .	—	36	76	313	227
March .	—	71	99	353	199
April .	—	22	141	545	216
May .	—	84	65	352	192
June .	—	83	37	418	163
July .	—	53	82	365	165
August .	40	148	43	330	146
September .	88	102	105	196	137
October .	79	54	176	276	59
November .	9	94	169	174	10
December .	26	74	182	253	—
Total .	241	856	1,238	3,730	1,695

Grand Total, 7,760,000 tons gross.

TABLE No. 5

EFFECT OF WAR ON BRITISH OCEAN-GOING TONNAGE  
STEAMERS OF 1,600 G.R.T. AND UP

(Including s.s. on Dominion and Colonial Register)

	s.s.	Tons gross	s.s.	Tons gross	s.s.	Tons gross
Tonnage in July 1914 .	—	—	—	—	4,068	17,516,876
Deduct :						
War losses . . . .	1,764	7,379,986				
Interned in enemy ports or captured . . . .	46	153,067				
Marine losses . . . .	248	917,997				
Transferred to foreign flags, &c. . . . .	248	998,463				
Locked in Baltic . .	2	2,462				
			2,308	9,451,975		
Add :						
Launched . . . . .	890	4,170,601				
Transferred from foreign flags, &c. <sup>1</sup> . . . .	328	1,354,526				
Prizes . . . . .	144	611,778				
Alterations to gross tonnage (net gain) .	—	204,920				
			1,362	6,341,825		
Net loss (17·7%) . . .					946	3,110,150
Tonnage on 31 October 1918 . . . . .					3,122	14,406,726

<sup>1</sup> Includes new ships built abroad.



TABLE No. 6

COMPARISON BETWEEN TONNAGE ON THE REGISTER OF THE  
UNITED KINGDOM AT END OF 1913 AND 1918 RESPECTIVELY

(a) *Numbers*

	31 Dec. 1913	31 Dec. 1918	Increase or decrease	
			Numbers	Per cent.
s.s. 10,000 tons gross and up .	118	115	-3	-2.5
s.s. 5,000-9,999 tons gross .	711	902	+191	+26.7
s.s. 4,000-4,999 tons gross .	869	600	-269	-31.0
s.s. 3,000-3,999 tons gross .	1,131	588	-543	-48.0
s.s. 1,600-2,999 tons gross <sup>1</sup> .	918	590	-328	-35.7
Total 1,600 tons gross and up	3,747	2,795	-952	-25.4
s.s. 500-1,599 tons gross .	1,419	1,229	-190	-13.4
s.s. under 500 tons gross .	7,436	7,310	-126	-1.7
Total s.s. of all sizes . .	12,602	11,334	-1,268	-10.0
s.v. 1,000 tons net and up .	163	68	-95	-58.3
s.v. 500-999 tons net . .	75	75	Nil	Nil
s.v. 100-500 tons net . .	962	852	-110	-11.4
s.v. under 100 tons net . .	7,136	5,862	-1,274	-17.9
Total s.v. of all sizes . .	8,336	6,857	-1,479	-17.7

<sup>1</sup> The official classification of gross tonnage makes the division at 1,500 tons. For the purposes of this table all ships of 1,000 tons net have been taken as 1,600 gross.

(b) *Net tonnage*

	31 Dec. 1913 1,000 tons net	31 Dec. 1918 1,000 tons net	Increase or decrease	
			1,000 tons net	Per cent.
s.s. 1,000 tons net and up .	10,173	8,458	-1,715	-16.9
s.s. under 1,000 tons net .	1,100	1,039	-61	-5.5
Total. All s.s. . .	11,273	9,497	-1,776	-15.7
s.v. 500 tons net and up .	351	178	-173	-50.7
s.v. under 500 tons net .	496	426	-70	-16.1
Total. All s.v. . .	847	604	-243	-28.7
Average size s.s. 1,000 tons net and up . . . .	2,700 tons net	3,000 tons net		

(c) *Gross tonnage*

	31 Dec. 1913 1,000 tons gross	31 Dec. 1918 1,000 tons gross	Increase or decrease	
			1,000 tons gross	Per cent.
s.s. 5,000 tons gross and up .	6,208	7,394	+1,186	+19.1
s.s. under 5,000 tons gross .	12,475	8,316	-4,159	-33.3
Total. All s.s. . . . .	18,683	15,710	-2,973	-15.9
Proportion of s.s. 5,000 tons gross and up to total .	33.2%	47.1%		

(d) *Age*

Age	Percentage of net tonnage					
	s.s. 1,000 tons net and up		s.s. under 1,000 tons net		All s.s.	
	31 Dec. 1913	31 Dec. 1918	31 Dec. 1913	31 Dec. 1918	31 Dec. 1913	31 Dec. 1918
3 years and under . . . . .	21.1	20.5	14.5	7.4	20.4	19.1
Over 3 and under 8 years .	23.4	25.5	21.7	19.4	23.2	24.8
Over 8 and under 13 years .	24.9	17.5	16.5	19.1	24.1	17.7
Over 13 and under 18 years	18.1	17.6	12.3	16.3	17.6	17.4
Over 18 and under 23 years	8.0	12.3	10.5	11.8	8.3	12.2
Over 23 years . . . . .	4.5	6.5	24.5	26.0	6.4	8.8
	100.0	100.0	100.0	100.0	100.0	100.0
Total under 8 years . . . .	44.5	46.0	36.2	26.8	43.6	43.9
Total over 18 years . . . .	12.5	18.8	35.0	37.8	14.7	21.0

	Percentage of gross tonnage			
	Under 8 years		Over 18 years	
	31 Dec. 1913	31 Dec. 1918	31 Dec. 1913	31 Dec. 1918
All s.s. . . . .	43.8	43.7	15.0	21.2
s.s. 5,000 tons gross and up	50.4	57.9	6.7	13.7
s.s. 4,000-4,999 tons gross .	58.3	39.9	7.9	13.3
s.s. 3,000-3,999 tons gross .	34.6	25.4	12.4	29.2

TABLE No. 7

COMPARISON OF TONNAGE ON DOMINION AND COLONIAL REGISTER  
AT END OF 1913 AND 1918 RESPECTIVELY

	Total Steam tonnage 1,000 tons net		s.s. of 1,000 tons net and up			
			Numbers		1,000 tons net	
	31 Dec. 1913	31 Dec. 1918	31 Dec. 1913	31 Dec. 1918	31 Dec. 1913	31 Dec. 1918
Canada <sup>1</sup> . . . .	432	556	110	162	210	322
Australia . . . .	323	327	110	105	216	222
New Zealand . . . .	128	65	43	18	87	26
India . . . . .	97	99	33	32	71	74
Singapore, Penang, Ceylon, and Aden . . . .	35	43	6	13	12	22
Hong Kong . . . .	48	149	21	58	33	131
Cape Colony, Natal, Br. W. Africa, and Mauritius .	20	30	9	12	12	21
St. Johns, Bermuda, Br. W. Indies, Br. Honduras, and Br. Guiana . . .	43	30	11	6	24	9
Gibraltar and Malta. .	4	3	—	—	—	—
Total . . . . .	1,130	1,302	343	406	665	827

<sup>1</sup> Includes lake steamers :

Sailing vessels on Dominion and Colonial Register :  
 31.12.13 . . . . . 919,000 tons net  
 31.12.18 . . . . . 892,000 tons net

TABLE No. 8  
 ADDITIONS TO AND DEDUCTIONS FROM TONNAGE ON THE REGISTER OF THE UNITED KINGDOM, 1911-22  
*s.s. only*  
*(In 1,000 tons net)*

	Average 1911-13	1914	1915	1916	1917	1918	1919	1920	1921	1922
New vessels <sup>1</sup>	806	788	453	321	753	946	884	675	570	682
Purchased from foreigners <sup>2</sup>	30	64	68	23	218	249	8	50	91	100
Transferred from Colonies	10	61	30	23	38	26	18	17	34	29
Other additions <sup>3</sup>	38	30	377	87	256	48	789	488	956	268
Total additions	884	943	928	454	1,265	1,269	1,699	1,230	1,651	1,079
Wrecked	121	83	176	162	297	191	87	168	46	71
Broken up	30	10	8	3	3	2	2	10	8	11
Sold foreign <sup>4</sup>	398	354	121	14	21	18	640	429	504	509
Transferred to Colonies	32	39	32	174	48	4	27	31	141	48
Other deductions <sup>5</sup>	28	196	560	714	2,324	1,162	106	161	797	149
Total deductions	609	682	897	1,067	2,693	1,377	862	799	1,496	788
Net increase or decrease	+ 275	+ 261	+ 31	- 613	- 1,438	- 108	+ 837	+ 431	+ 155	+ 291

<sup>1</sup> Includes new vessels built abroad to orders of Shipping Controller.

<sup>2</sup> Includes foreign vessels taken over by Shipping Controller.

<sup>3</sup> Includes tonnage added in consequence of re-measurement, prizes of war, and ex-enemy vessels transferred after the war.

<sup>4</sup> Includes in 1919 and 1920 foreign vessels handed back by Shipping Controller.

<sup>5</sup> Includes losses by war risks, and in 1921 the closing of provisional register in respect of ex-enemy ships now re-registered.



TABLE No. 9  
TYPES OF STANDARD STEAMERS

Type	Dimensions			Tonnage		Draught <i>ft. in.</i>	Sea speed <i>Knots</i>	Number completed at armistice	Days occupied in building by ships completed at armistice		
	Length <i>ft. in.</i>	Breadth <i>ft. in.</i>	Depth in hold <i>ft. in.</i>	Gross	Dead- weight				Minimum	Maximum	Average
A Single-deck . . . . .	400 0	52 0	31 0	5,030	8,175	25 1	11	16	195	356	270
B Tween-deck . . . . .	400 0	52 0	31 0	5,030	8,075	25 1	11	45	162	457	307
C Single-deck . . . . .	331 0	46 6	25 6	3,000	5,050	21 8	11½	24	203	369	307
D Single-deck . . . . .	285 0	41 9	21 2½	2,300	2,980	19 0	11½	21	210	370	299
E Tween-deck . . . . .	376 0	51 6	29 0	4,400	7,020	23 9	11½	2	278	334	306
F Single-deck and shelter-deck . . . . .	441 6	55 6	29 0	6,440	10,795	28 7½	12	Nil	—	—	—
F¹ Single-deck and shelter-deck . . . . .	400 0	53 0	35 5	5,680	9,000	26 4	12	2	322	342	332
G Two decks and shelter-deck . . . . .	450 0	58 0	40 0	8,000	10,800	29 0	13	1	344	344	344
H Single-deck . . . . .	303 0	43 0	23 0	2,800	3,860	19 6	10½	2	158	176	167
J Tween-deck . . . . .	385 0	52 0	29 0	4,600	7,520	24 0	11½	Nil	—	—	—
N Single-deck and shelter-deck fabricated . . . . .	441 6	55 5½	38 1½	6,500	10,500	28 0	10½	3	200	223	213
AO Converted oiler . . . . .	400 0	52 0	31 0	5,250	7,885	25 1	11	24	212	585	411
BO Converted oiler . . . . .	400 0	52 0	31 0	5,250	7,885	25 1	11	1	446	446	446
Z Oiler . . . . .	400 0	52 0	31 0	5,800	8,000	25 1	11	6	267	386	314
Cs			Various types					1	236	236	236

Type 'G', twin-screw. All other types single-screw.  
Types 'A', 'B', 'C', 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z', 'AO', 'BO', and 'C' had engines of identical design; so had types 'C', 'D', and types 'F' and 'H' required special sets. Type 'N' had turbine engines.  
About half the vessels of type 'G' were provided with insulated space for the carriage of refrigerated cargo.  
Speed of Types 'A' and 'B' eventually raised to 11½ knots.

TABLE No. 10  
DISPOSAL OF STANDARD SHIPS

	A	B	C	D	E	F	F <sup>1</sup>	G	H	J	N	AO & BO	Z	Cs	Total
Orders placed . . .	84	147	86	27	5	12	13	29	33	5	66	37	41	97	682
Contracts cancelled . . .	18	25	7	—	—	—	—	8	5	—	35	—	7	15	120
Lost at sea . . .	3	3	2	1	—	—	—	—	—	—	—	1	—	—	10
Transferred to Admiralty . . .	—	—	—	—	—	—	—	—	—	—	—	—	15	—	15
Sold foreign <sup>1</sup> . . .	12	18	13	19	—	—	1	—	3	—	12	20	1	4	103
Sold British . . .	51	101	64	7	5	12	12	21	25	5	19	16	18	78	434
	84	147	86	27	5	12	13	29	33	5	66	37	41	97	682
Completed ships sold to British owners <sup>2</sup> . . .	11	33	29	6	3	3	3	5	9	—	7	16	17	14	156
Contracts taken over by builders . . .	26	25	7	—	—	—	6	—	7	5	7	—	1	39	123
Contracts taken over by Lord Inchcape : . . .															
1st Deal . . .	11	37	—	—	2	6	3	16	—	—	2	—	—	—	77
2nd Deal . . .	3	6	28	1	—	3	—	—	9	—	3	—	—	25	78
	51	101	64	7	5	12	12	21	25	5	19	16	18	78	434

<sup>1</sup> Includes 5 ships taken over before completion.

<sup>2</sup> Includes 26 ships comprised in 3rd Inchcape deal.

TABLE No. 11  
DISPOSAL OF SHIPS BUILT OVERSEAS

	Ships built in					
	Japan	China	Canada (steel)	Canada (wood)	U.S.A.	Total
Orders placed . . .	24	13	43	46	13	139
Contracts cancelled . . .	4	—	2	—	—	6
Lost at sea . . .	2	—	—	4	8	14
Sold foreign . . .	8	13	31	41	5	98
Sold British <sup>1</sup> . . .	10	—	10	1	—	21
	24	13	43	46	13	139

<sup>1</sup> Includes 14 ships comprised in third Inchcape deal.

TABLE No. 12  
SHIPBUILDING AND THE SLUMP, 1920-4  
(Figures represent 1,000 tons gross)

Quarter ended	United Kingdom				Other countries			
	At beginning of quarter		During quarter		At beginning of quarter		During quarter	
	Under construction	Suspended	Launched	Commenced	Under construction	Suspended	Launched	Commenced
31.3.20	2,994	—	454	708	4,867	—	882	1,000
30.6.20	3,394	—	523	588	4,548	—	1,022	796
30.9.20	3,578	—	483	594	4,143	—	1,005	788
31.12.20	3,731	—	580	506	3,834	—	897	720
31.3.21	3,709	—	433	393	3,471	—	622	462
30.6.21	3,799	497	321	69	3,288	?	686	178
30.9.21	3,530	735	308	51	2,669	?	539	265
31.12.21	3,283	731	467	55	2,260	375	428	91
31.3.22	2,640	722	304	51	1,817	400	189	67
30.6.22	2,236	617	149	39	1,444	325	241	112
30.9.22	1,919	481	307	82	1,316	290	169	106
31.12.22	1,617	419	261	231	1,086	256	181	114
31.3.23	1,468	348	228	335	1,022	216	145	176
30.6.23	1,492	181	239	241	1,025	148	171	73
30.9.23	1,338	130	66	112	854	132	206	100
31.12.23	1,271	244	115	245	761	83	148	137
31.3.24	1,395	164	362	228	713	67	163	170
30.6.24	1,474	101	365	375	744	118	137	189
30.9.24	1,517	52	—	—	759	140	—	—

N.B.—Figures include lake tonnage but are exclusive of shipbuilding in Germany and Dantzlg.

TABLE No. 13  
NET TONNAGE OF VESSELS ENTERED AND CLEARED WITH  
CARGOES AT PORTS IN THE UNITED KINGDOM  
(In 1,000 tons)

	Entered				Cleared			
	British	Foreign	Total	Per cent. British	British	Foreign	Total	Per cent. British
1913 .	32,292	16,772	49,064	66	40,101	27,718	67,820	59
1914 .	28,929	14,132	43,061	67	32,516	23,452	55,968	58
1915 .	22,862	10,862	33,724	68	20,380	19,149	39,529	52
1916 .	20,217	9,842	30,059	67	17,752	17,844	35,596	49
1917 .	18,795	4,433	23,228	81	16,927	9,149	26,076	65
1918 .	19,791	3,416	23,207	85	14,966	7,772	22,737	66
1919 .	22,065	7,491	29,556	75	21,958	12,594	34,553	64
1920 .	25,531	10,987	36,518	70	23,409	13,181	36,589	64
1921 .	25,118	11,994	37,112	68	24,282	12,115	36,397	67
1922 .	28,422	14,904	43,326	66	36,817	22,864	59,682	62
1923 <sup>1</sup> .	30,952	17,982	48,935	63	36,651	28,499	65,151	56

<sup>1</sup> The Board of Trade Returns include, from 1 April 1923, the traffic to and from the Irish Free State. The figures of this traffic have been deducted in the table in order to give an accurate comparison with previous years.

TABLE No. 14

## COASTING TRADE

*Net tonnage of British vessels arrived with cargoes at  
ports in the United Kingdom*

N.B.—Foreign tonnage is insignificant throughout. Departures  
practically the same as arrivals.

(1,000 tons net)

	General coasting trade	Trade between Great Britain and Ireland	Total
1913 . . .	22,440	12,022	34,462
1914 . . .	21,060	14,687	35,747
1915 . . .	14,860	12,474	27,334
1916 . . .	10,944	11,286	22,230
1917 . . .	8,859	10,284	19,143
1918 . . .	7,328	9,403	16,731
1919 . . .	10,031	9,741	19,772
1920 . . .	12,689	11,152	23,841
1921 . . .	10,433	10,354	20,787
1922 . . .	13,885	11,645	25,530
1923 . . .	14,491	6,734	21,225

N.B.—From 1 April 1923 the coasting trade of the Irish Free State and movements between ports in the Irish Free State and ports in Great Britain or Northern Ireland are excluded from the returns.



TABLE No. 15

## EMPLOYMENT OF STEAMERS OF 1,600 TONS GROSS AND UP DISTINGUISHING SHIPS ON REQUISITION

N.B.—The ships included in this table exclude those from time to time unavailable for ocean-going trade or requisition, such as ships interned in enemy ports, locked up in the Baltic, or employed on the Great Lakes. They include a small number of requisitioned neutrals. The months selected show distinct stages in the tonnage position. May 1916 shows the position after the great Allied demands had been met at the beginning of 1916; September 1916 reflects the economies in requisitioned tonnage effected after appointment of the Shipping Control Committee, and shows the final position prior to the decision to requisition for wheat. January, March, and July 1917 illustrate the effect of the decision to make requisitioning 'universal'. From this point there was no serious modification of the position, and the only month given is October 1918, the last of the war. The figures for 1919 are added to illustrate the process of decontrol. Those for February of that year show the position immediately before general release. It must be borne in mind that, throughout the whole period, all ships not on full requisition were controlled by licence.

	Jan. 1916	May 1916	Sept. 1916	Jan. 1917	Mar. 1917	July 1917	Oct. 1918	Feb. 1919	June 1919	Sept. 1919	Dec. 1919
On full requisition (including State-owned ships :											
For Admiralty, War Office, India, and											
Dominions . . . . .	1,157	1,189	{ 867	929	972	884	737	583	280	195	91
For Allies . . . . .			256	171	175	191	229	126	6	1	—
For commercial cargoes other than wheat and cereals <sup>1</sup> . . . . .	50	54	132	113	143	212	209	259	68	29	25
For wheat and cereals, to U.K., to Allies . . . . .	—	—	—	205	182	173	202	188	118	42	17
Under notice but not yet allocated . . . . .	48	70	14	132	59	35	7	2	1	—	—
Repairing . . . . .	Not distinguished			9	36	44	119	161	59	37	26
Prizes, mostly on naval or military service. . . . .	115	115	115	113	109	98		Included above			
Total, fully requisitioned . . . . .	1,370	1,428	1,384	1,672	1,676	1,637	1,503	1,319	532	304	159

<sup>1</sup> The figures for January 1917 may include some ships running off 'directed' voyages before entering on requisition.

TABLE No. 15—(continued)

	Jan. 1916	May 1916	Sept. 1916	Jan. 1917	Mar. 1917	July 1918	Oct. 1918	Feb. 1919	June 1919	Sept. 1919	Dec. 1919
Temporarily released, with obligation to return to requisition . . .	174	174	128	98	78	11	—	—	—	—	—
Carrying wheat for Carriage of Food-stuffs Committee or Messrs. Ross T. Smythe (U.K. or Allies) . . .	102	178	114	—	—	—	—	—	—	—	—
Trading for Allies <sup>1</sup> . . .	251	278	325	236	252	166	163	174	498	482	501
Trading for Dominions and Colonies .	37	50	46	26	16	9	14	6	75	76	67
Total under direction or exempted from Requisition on special terms	564	680	613	360	346	186	177	180			
Colonial registered, permanently abroad U.K. registered permanently abroad .				179	188	186	154	164	182	185	193
Liners loading on berth, including chartered tramps <sup>2</sup> . . .				228	188	145	59	94	102	117	121
Free tramps, coasting U.K. . .	1,823	1,579	1,654	921	850	784	796	907	1,066	1,133	1,280
Free tramps, other trades . . .				16	18	18	21	31	39	42	47
Repairing <sup>3</sup> . . .				108	83	90	20	24	220	385	337
				17	30	42	83	177	194	194	227
Total, not fully requisitioned . .	2,387	2,259	2,267	1,829	1,703	1,451	1,310	1,577	2,376	2,614	2,773
Grand total, excluding oilers and ships launched and completing .	3,757	3,687	3,651	3,501	3,379	3,088	2,813	2,896	2,908	2,918	2,932
Oilers . . .	—	—	—	199	205	191	229	231	236	223	230
Ships launched and completing <sup>3</sup> . .	—	—	—	31	55	65	80	70	57	73	91
GRAND TOTAL . . .	—	—	—	3,731	3,639	3,344	3,122	3,197	3,201	3,214	3,253

<sup>1</sup> The figures for June, September, and December 1919 include respectively 32, 48, and 34 steamers trading for neutrals.

<sup>2</sup> Brought under liner requisition during 1917, together with some ships shown as 'Trading for Allies'. Subject to requisitioning of space in 1916.

<sup>3</sup> The figures for January 1917 are for 'cargo ships' only.

N.B.—The figures for 'Temporarily Released' ships in January 1916 are not available: they have therefore been taken at the May figure. The totals for this month must therefore be regarded as approximate.

TABLE No. 16

## EMPLOYMENT OF STEAMERS 500-1,599 TONS GROSS

*Distinguishing ships on requisition*

	Mar. 1917	July 1917	Oct. 1918	Feb. 1919	June 1919	Sept. 1919	Dec. 1919
On full requisition :							
For Admiralty, War Office, India, and Dominions . . . . .	313	303	298	220	96	71	44
For Allies . . . . .	9	12	64	21	2	1	1
For commercial cargoes . . . . .	3	48	42	29	3	4	1
Under notice but not yet allocated . . . . .	1	3	2	—	—	—	—
Repairing . . . . .	Not distin- guished		19	23	4	5	1
Total, fully requisitioned . . . . .	326	366	425	293	105	81	47
Temporarily released . . . . .	8	3	—	—	—	—	—
Trading for Allies <sup>1</sup> . . . . .	191	134	151	172	293	273	295
Colonial registered, perma- nently abroad . . . . .	89	99	130	132	129	126	130
U.K. registered, permanently abroad . . . . .	84	68	54	54	61	61	66
Liners and railway ships <sup>2</sup> . . . . .	87	69	36	42	66	76	85
Coasting (including prizes) . . . . .	229	203	186	213	202	249	264
Miscellaneous . . . . .	3	42	10	6	23	29	20
Repairing and laid up . . . . .	6	16	28	80	74	64	60
	1,023	1,000	1,020	992	953	959	967
Oilers . . . . .	4	7	8	8	7	7	7
Ships launched and completing . . . . .	6	7	5	13	7	11	12
Grand Total <sup>3</sup> . . . . .	1,033	1,014	1,033	1,013	967	977	986

<sup>1</sup> Figures for June, September, and December 1919 include respectively 28, 21, and 18 steamers trading for neutrals.

<sup>2</sup> From October 1918 onwards some ' Railway ships ' shown under ' Coasting '.

<sup>3</sup> The decrease in Grand Total subsequent to the armistice is due to the return of requisitioned neutrals.

TABLE No. 17

## LINER REQUISITION SCHEME

*Analysis of trades affected*

The purpose of this table is to indicate the extent of interference with normal sailings. The tonnage figures represent all ships actually running *under Liner Requisition* on the dates and in the trades given, including tramps chartered by the Lines. 1 May 1917 is taken as the date by which the scheme had become generally operative; but large transfers, especially from the Australasian and Eastern trades to the Atlantic, had been effected before that date. The figures for 1 February 1919 show the progress made towards the restoration of normal conditions prior to the termination of the scheme.

The dates of requisitioning letters apply to the trade as a whole. In several instances individual lines were subsequently added.

*I. Trades on which tonnage was concentrated*

Service	Date of requisitioning letter 1917	Tonnage in service			
		1 May 1917	Maximum May 1917–Nov. 1918	1 Nov. 1918	1 Feb. 1919
U.K.–U.S.A. and Canada . . .	Mar. 21	2,078	2,774	2,595	2,005
U.K.–Brazil and Plate <sup>1</sup> . . .	Mar. 13	683	1,185	965	1,062
U.K.–Egypt . . . . .	Apr. 17	67	185	77	134
U.S.A.–France . . . . .	Special service established May 1918	312	312	311	125
U.S.A.–Italy . . . . .	Apr. 21 / Special service added in 1918	36	134	134	78
U.S.A. and Canada–Australasia	Mar. 29	7	66	46	172
India–Australia <sup>2</sup> . . . . .	May 5	7	77	91	73
India–Mediterranean . . . .	July 6	1 June '17 8	59	59	111

<sup>1</sup> Includes special services, River Plate to Egypt, France, and Italy.

<sup>2</sup> Increased for purposes of remount service Australia–India.

*II. Trades depleted*

Service	Date of requisitioning letter 1917	Tonnage in service			
		1 May 1917	Minimum May 1917–Nov. 1918	1 Nov. 1918	1 Feb. 1919
U.K.–Australasia <sup>1</sup> . . . . .	Feb. 28	697	307	381	837
U.K.–Far East and Java . . .	Mar. 5	499	216	220	372
U.K.–West Africa . . . . .	Apr. 2	184	152	169	206
U.K.–West Indies . . . . .	Apr. 22	162	125	153	156
U.K.–Amazon . . . . .	Mar. 24	27	6	20	30
U.S.A.–West Africa . . . . .	Mar. 31	47	30	30	62
U.S.A. and Br. Columbia–Far East . . . . .	Mar. 15	133	27	38	165
U.S.A. and Canada–W. Indies	May 1	43	33	33	43
India–South and East Africa .	Mar. 15	90	49	60	64
Indian Coastal <sup>2</sup> . . . . .	May 5	164	137	163	254
China Coastal <sup>2</sup> . . . . .	May 5	126	97	97	193
Pacific Coastal . . . . .	1918 May 4	1 July '18 19	6	14	14

<sup>1</sup> Includes special service, Australia–Egypt.

<sup>2</sup> Depleted before 1 May 1917 by withdrawal of ships on full requisition for service in Persian Gulf.



LINER REQUISITION SCHEME (*continued*)III. *Trades in which tonnage fluctuated*

Service	Date of requisitioning letter 1917	Tonnage in service				
		1 May 1917	May 1917–Nov. 1918		1 Nov. 1918	1 Feb. 1919
			Maximum	Minimum		
U.K.–India <sup>1</sup>	Mar. 5	907	1,013	753	944	1,048
U.K.–S. America, W. Coast	Mar. 13	149	190	138	156	144
U.K.–S. and E. Africa	Mar. 13	230	281	213	235	295
U.K.–Bay and Western Mediterranean	Apr. 17	153	176	103	176	177
U.S.A.–India	Apr. 14	39	92	19	34	44
U.S.A. and Canada–South Africa	Mar. 13	98	125	24	86	95
U.S.A.–Brazil and Plate <sup>2</sup>	May 4	43	74	30	32	123
India–Far East	May 5	59	64	30	31	39

<sup>1</sup> Really a depleted service; several ships transferred prior to 1 May 1917.<sup>2</sup> Maximum figures represent triangular meat and troop service—U.K.–Plate–U.S.A.–U.K.

TABLE No. 18

## TABLE OF CONVOYS

*Showing system at its height in the summer of 1918**Ocean convoys inwards*

From	To	Speed	Normal interval	Approximate average No. of ships in each convoy
		<i>Knots</i>	<i>Days</i>	
Hampton Roads	East and west coast alternately	8	8	26–27
Sydney (Cape Breton)	East and west coast alternately	8	8	25
New York	East coast only	9½	8	22
New York	West coast only	13	8	12–13
Halifax	East and west coast alternately	11½	8	14
Sierra Leone	Mixed, east and west coast	10	8	8
Dakar	Mixed, east and west coast	8	8	6–7
Rio de Janeiro	Mixed, east and west coast	8	about 8	17
Gibraltar	East and west coast alternately	7	4	16–17
Port Said	Mixed, east and west coast	10	16	16

A few 10-knot convoys from Rio were also run. Many homewards convoys included a proportion of ships bound for Continental ports. There was a separate convoy New York–Bay of Biscay for American military store ships.

TABLE No. 18 (*continued*)

## TABLE OF CONVOYS

*Showing system at its height in the Summer of 1918**Ocean convoys outwards*

From	For	Speed	Normal interval	Approximate average No. of ships in each convoy
		<i>Knots</i>	<i>Days</i>	
Falmouth .	Channel and east coast shipping wherever bound . . . .	7½	8	13-14
Devonport .	Channel and east coast shipping wherever bound . . . .	8-10	about 3	13-14
Milford . .	West coast shipping to Mediterranean and south . . . .	7½	4	24
Lamlash . .	Belfast and Clyde to America, North or South . . . .	8	8	15
Liverpool .	N. America, southabout . . . .	10-11½	8	7-8
Liverpool-Buncrana .	N. America, northabout . . . .	8	8	9
Liverpool . .	N. America, northabout . . . .	13	8	10
Liverpool . .	Port Said (Through Mediterranean Convoy) . . . .	10	16	10
Southend . .	N. America . . . .	11½	16	10-11

London ships for the Mediterranean Through Convoy went out with the Devonport Convoy and joined up at Gibraltar.

*Short sea convoys**Scandinavian*

Methil-Bergen, every 5 days, each way.

*French Coast Trade*

Penzance-Brest  
 Portland-Cherbourg  
 St. Helens or Portland-Havre  
 Southend-Boulogne or Calais

} daily.

*Dutch*

About every 4 days.

*East Coast*

Local convoys, linked to Scandinavian for North Sea traffic.

*Mediterranean, Local*

Gibraltar-Gulf of Lyons-Genoa, every 4 days.  
 Bizerta-Malta-Milo, every 5 days.  
 Milo-Alexandria, every 5 days.  
 Alexandria-Bizerta, every 4 days.  
 Bizerta-Gibraltar, every 4 days.

TABLE No. 19  
DISTRIBUTION OF COAL EXPORTS OF THE UNITED KINGDOM  
(*Excluding coke and manufactured fuel*)  
*In 1,000 tons*

	1913	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923
Russia . . . . .	5,998	3,087	43	5	1,075	128	221	93	139	584	476
Scandinavia . . . . .	9,895	9,771	8,434	6,259	2,528	3,348	4,676	3,213	3,731	6,956	7,948
Germany . . . . .	8,952	5,257					4	13	818	8,345	14,806
Holland and Belgium . . . . .	4,049	2,891	1,793	1,346	377	92	546	910	2,406	9,557	13,299
France . . . . .	12,776	12,330	17,601	17,312	17,512	16,511	16,206	11,691	6,396	13,579	18,826
Portugal and Spain . . . . .	3,736	3,309	2,514	2,802	1,021	576	1,350	591	1,457	2,495	1,912
Canaries, Azores, and Madeira . . . . .	1,269	801	577	493	166	46	392	498	180	621	679
Algeria, Gibraltar, and Malta . . . . .	2,336	1,558	1,447	1,326	3,597	2,872	2,722	2,066	1,029	1,935	1,811
Italy . . . . .	9,647	8,625	5,788	5,710	4,141	4,054	4,641	2,905	3,383	6,342	7,593
Austria-Hungary . . . . .	1,057	564					143	99		3	
Greece . . . . .	728	579	309	168	19	41	139	98	248	429	463
Egypt . . . . .	3,162	2,595	1,362	844	1,574	1,698	1,675	985	1,018	1,744	1,696
French and Portuguese West Africa . . . . .	372	264	334	412	608	518	514	392	156	313	386
India and Ceylon . . . . .	419	408	68	37	13	1	14	15	672	1,232	253
Brazil, Uruguay, Argentina, and Chile . . . . .	6,909	4,938	2,499	1,131	762	60	1,020	556	1,374	3,621	4,036
Total, including other countries . . . . .	73,400	59,040	43,535	38,352	34,996	31,753	35,250	24,932	24,661	64,198	79,450

N.B.—The figures are exclusive of coal supplied to the British Armies in France and of shipments to France, Russia, and Italy on Admiralty account from August 1914 to June 1917 inclusive.

TABLE No. 20  
SHIPPING LAID UP  
*At the principal ports of the United Kingdom*

	Number	Net tonnage
January 1921 . . . .	614	940,604
July 1921 . . . . .	1,023	1,852,412
January 1922 . . . .	712	1,307,593
July 1922 . . . . .	583	1,112,332
January 1923 . . . .	403	709,224
July 1923 . . . . .	372	709,102
January 1924 . . . .	317	629,763

N.B.—Figures for 1922-3 in *Brassey's Naval and Shipping Annual* give totals about 50 per cent. higher for *all* ports.

TABLE No. 21  
NUMBER OF PERSONS EMPLOYED BEFORE AND AFTER THE WAR,  
IN VESSELS ENGAGED IN THE HOME AND FOREIGN TRADE AND  
IN FISHING

In trading vessels					In sea fishing	
	British	Foreign other than Lascars	Lascars	Total	Regular	Occasional
1913 .	177,651	31,755	46,848	245,824	76,048	23,482
1920 .	179,676	15,219	50,273	245,168	68,924	19,036
1921 .	173,110	15,790	53,540	242,440	67,139	16,329
1922 .	169,943	11,563	55,266	236,772	65,223	16,251

Figures for war years not available. 'Lascars' include all Asiatics and East Africans, whether British subjects or no, employed on vessels in the Eastern Trades and under Agreements terminating in Asia.



TABLE No. 22

## ENGAGEMENTS AT MERCANTILE MARINE OFFICES, 1911-18

(Including re-engagements)

	British	Per cent.	Foreigners	Per cent.	Chinese	Per cent.	Asiatics and Africans	Per cent.	Total
1911	503,689	90·51	42,316	7·60	5,366	0·96	5,122	0·93	556,493
1912	514,032	90·04	43,878	7·68	7,450	1·30	5,556	0·98	570,916
1913	541,830	89·59	47,269	7·81	9,286	1·53	6,475	1·07	604,830
1914	500,423	89·00	46,116	8·10	8,182	1·50	7,546	1·40	562,267
1915	384,602	83·20	55,269	11·70	14,224	3·20	8,614	1·90	462,709
1916	348,432	83·85	44,634	10·74	11,598	2·79	11,953	2·64	415,617
1917	305,567	82·92	38,761	10·52	11,321	3·07	12,863	3·49	368,512
1918	312,357	86·72	25,506	7·08	10,784	2·92	11,535	3·20	360,182

N.B.—The reduction in total is, of course, affected by the greater average length of voyages during the war.

TABLE No. 23

## TYPICAL RATES OF WAGES A.B.'s ON FOREIGN-GOING SHIPS

	August 4 1914	December 1916	November 1918	November 1918 per cent. increase on on 1914
Newcastle and Shields	110s.	180s.	290s. (230s. + 60s. bonus)	163·6
Hull . . . . .	110s.	110s. + 70s. bonus		163·6
London . . . . .	100s., 110s.	140s., 160s.		163·6, 190
Cardiff . . . . .	110s.	180s.		163·6
Bristol . . . . .	105s.	170s.		176·2
Liverpool . . . . .	100s., 110s.	120s. and 130s. + 40s. bonus		163·6, 190
Glasgow . . . . .	110s.	150s. + 20s. bonus		163·6
Belfast . . . . .	110s.	140s. + 20s. bonus		163·6

Typical weekly wage, Home and Coasting Trade.

4 August 1914 . . . . . 35s.  
 December 1916 . . . . . 55s. to 65s. (including bonuses).  
 November 1918 . . . . . 87s. 6d.  
 Increase on 1914, 150 per cent.

TABLE No. 24  
PAY IN THE MERCHANT SERVICE. MONTHLY RATES  
*Foreign-going Cargo Steamers*

	1914		1919		1923	
	£ s.	£ s.	£ s.	£ s.	£ s.	£ s.
First mates . .	12 5	to 14 5	23 0	to 32 0	16 0	to 25 0
Second mates . .	9 5	„ 12 5	21 10	„ 25 10	13 10	„ 17 0
Third mates . .	7 10	„ 10 10	19 0	„ 20 10	11 10	„ 12 10
Chief engineers . .	16 15	„ 24 0	27 0	„ 41 0	20 0	„ 33 0
Second engineers . .	12 5	„ 14 15	23 0	„ 32 0	16 0	„ 25 0
Third engineers . .	8 15	„ 11 15	21 10	„ 25 10	13 10	„ 17 0
Carpenters . .	7 0	„ 7 10	17 0	„ 21 0	11 10	„ 13 0
Boatswains . .	6 5	„ 6 10	16 0	„ 18 0	£ s. 10 10	
A.B.'s . .	5 0	„ 5 10	£ s. 14 10		9 0	
Firemen . .	5 10	„ 6 0	15 0		9 10	

National Maritime Board standard rates of pay for navigating and engineer officers are based on tonnage and seniority. Officers in passenger liners receive, as before the war, from 10 to 25 per cent. higher pay than similar ranks on cargo-boats. Officers in tankers receive additional pay, and there is a special standard scale for engineer officers in motor vessels.

N.B.—The 1923 figures represent the minimum level reached during the process of deflation. During 1924 the rates advanced by £1 for petty officers, seamen, and firemen, and by £1 10s. for deck and engineer officers.

TABLE No. 25  
INDEX NUMBER OF SEAMEN'S WAGES  
(1914 wage taken as 105s.)

Date	Standard Wages A.B.	A.B.'s Wage Index	Ministry of Labour Cost of Living Index	Professor Bowley's Index of Shore Wages	'Real wage' of A.B.
	s. d.				s. d.
1917. Oct. . .	230 0	219	180	—	127 9
1918. Aug. . .	230 0	219	210	—	109 6
Oct. . .	290 0*	276	220	—	131 9
1919. May . .	290 0*	276	205	—	141 6
Oct. . .	290 0*	276	220	218	131 9
1920. May . .	290 0†	276	241	253	120 3
Nov. . .	290 0	276	276	274	105 0
1921. April . .	290 0	276	233	271	124 6
June . .	240 0	228	219	264	109 6
Dec. . .	240 0	228	199	223	120 9
1922. Feb. . .	240 0	228	188	214	127 9
March . .	210 0	200	186	214	113 0
May . .	200 0	190	181	204	110 6
Sept. . .	200 0	190	179	192	111 9

\* Including war risk bonus.

† Consolidated wage.

N.B.—Since 1922 there has been a fall in the Cost of Living Index and wages advanced to 210s. in 1924.

TABLE No. 26

## BRITISH AND FOREIGN MERCANTILE MARINE WAGES, 1920

*N.B.—The table shows wages at the point when the British Cost of Living Index was at its height. The foreign wages are given in British equivalents at rates current December 1920*

	British	American	French	Italian	Dutch	Norwegian
Type of vessel . . . . .	Cargo s.s. 7,500 tons gross	Single-screw. 11,000 d.w.	7,000 tons gross. 25-40 passengers	Cargo steamers 4,000-8,000 tons gross	Cargo s.s. 7,000 tons gross	Cargo s.s. 7,000 tons (?) gross
Increase in cost of living Sept. 1920 over July 1914* . . .	170 per cent.	99 per cent.	300 per cent.	296 per cent.†	117 per cent.	236 per cent.
Rating :	£ s.	£ s.	£ s.	£ s.	£ s.	£ s.
Chief officer . . . . .	29 0	65 0	16 19	11 6	33 15	27 15
Second officer . . . . .	24 5	56 16	14 12	9 7	25 6	23 8
Third officer . . . . .	20 0	50 1	12 1	8 2	17 15	19 2
Chief engineer . . . . .	35 0	94 9	33 2	14 15	46 13	30 7
Second engineer . . . . .	29 0	65 0	21 12	11 6	31 19	23 15
Third engineer . . . . .	24 5	56 16	16 7	9 7	23 2	20 10
Fourth engineer . . . . .	17 0	50 1	13 2	8 2	17 15	—
Fifth engineer . . . . .	16 0	28 8	—	—	14 4	—
Sixth engineer . . . . .	16 0	—	—	—	—	—
Carpenter . . . . .	17 0	28 8	7 6	6 1	13 6	15 12
Boatswain . . . . .	16 0	27 0	7 11	6 4	12 18	14 19
A.B. . . . .	14 10	24 3	6 11	3 16	11 11	13 14
Fireman . . . . .	15 0	25 11	7 1	5 4	12 0	13 19

\* Supreme Economic Council Monthly Bulletin of Statistics.

† Mean of Rome and Milan.

TABLE No. 27  
TYPICAL FREIGHT RATES AT END OF EACH YEAR, 1908-19

December	1908	1909	1910*	1911	1912	1913	1914	1915	1916	1917	1918	1919
Grain:	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
New York to orders	1 6	1 9	2 4½	2 4½	3 4½	1 10½	5 0	13 0	16 6	50 0	—	8 6
C. or F. per qr.												
Plate (S. Lorenzo to U.K.)	{ 13 6 14 0 19 0 }	13 6 23 0	10 9 23 9	16 0 25 0	22 0 31 6	12 6 23 9	38 6 30 0	115 0 115 0	145 0 250 0	200 0 500 0	62 6 500 0	62 6 200 0
Rice: Rangoon to U.K.												
Cotton: Gulf ports to Liverpool, Havre, or Bremen, on net register	23 6	28 9	—	{ 37 6 40 0 }	61 3	35 0	80 0	{ 170 0 250 0 }	—	—	—	—
Jute:												
Calcutta —	17 0	23 6	21 6	27 6	—	24 0	27 6	105 0	275 0	—	—	180 0
London or Dundee		18 6	19 0	22 0	23 0	17 9	22 6	82 6	230 0	—	—	107 6
Bombay d.w. to p.p.	4 6	4 6	4 11	8 3	8 0	5 9	12 0	30 0	50 0	100 0	—	50 0
Coal: Wales to Lisbon	5 6	5 6	5 9	9 0	8 3	6 6	13 6	33 0	47 6	100 0	—	50 0
Gibraltar	6 3	7 0	6 10	10 6	10 3	7 3	17 9	60 0	—	—	—	70 0
Genoa	6 3	6 6	6 0	10 6	11 6	7 9	21 0	62 6	80 0	200 0	—	67 6
Port Said	8 6	8 0	8 9	—	—	18 0	20 6	—	—	—	—	—
Bombay	9 0	10 0	16 6	17 9	18 3	13 6	16 0	39 0	55 0	—	—	42 6
Plate												

\* January 1911.



TABLE No. 28  
AVERAGE OPEN MARKET FREIGHTS, 1912-19

Cargoes	From	To	1912	1913	1914	1915			1916			1917			1918	1919
			<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>	High- est	Low- est	Aver- age	High- est	Low- est	Aver- age	High- est	Low- est	Aver- age	<i>s.</i> <i>d.</i>	<i>s.</i> <i>d.</i>
Coal	Cardiff	Alexandria	11 4	9 9	9 7½	72 6	20 0	34 3½	112 6	60 0	88 7½	140 0	85 0	112 6	—	49 7½
"	"	Colombo	13 4½	12 7	12 8½	51 3	30 0	38 8½	75 0	75 0	75 0	—	—	—	—	—
"	"	Genoa	11 7	9 1	8 8½	66 0	16 0	32 1	100 0	59 6	79 5½	—	—	—	—	57 1½
"	"	Port Said	11 1½	9 6½	9 10½	70 0	22 6	34 0½	112 6	60 0	83 2½	165 0	80 0	130 0	200 0	56 6½
"	"	R. Plate														
Wheat	Australia	Lower ports	20 8½	17 5½	14 3	45 0	18 6	29 2½	77 6	30 0	51 3½	130 0	70 0	100 10½	102 3½	47 0½
Rice	Burmah	U.K.	34 6	33 5½	24 0	95 0	85 0	93 3	125 0	75 0	96 0½	—	—	—	—	105 0
	Alexandria	London and	32 0½	26 8	21 9½	127 6	33 6	82 2½	250 0	140 0	169 0	450 0	270 0	322 7½	—	—
Grain	Bilbao	Hull	11 6	8 7½	9 4½	72 6	19 0	28 6	197 6	42 6	78 1	140 0	90 0	110 2½	—	69 7½
"	Montreal	Cardiff	5 3	4 3½	4 2½	16 9	7 9	9 11	18 0	17 0	17 7	—	—	—	—	19 8
"	New York	Bristol	2 11½	2 9½	3 3½	12 3	7 9	9 0½	17 6	8 3	12 9½	—	—	—	—	—
"	Buenos	Channel	3 10½	2 7½	3 2½	13 6	7 6	12 1	20 0	7 9	14 2½	37 6	30 0	31 9	—	—
"	Ayres	"														
"	San Lorenzo	U.K.	21 4	16 10½	16 10	117 6	32 6	69 8½	180 0	105 0	143 7½	200 0	125 0	151 0½	—	150 5½
Nitrate	Pacific	U.K.	23 0	18 5½	17 11½	120 0	31 0	66 2½	183 6	115 0	149 9½	130 0	130 0	130 0	—	153 9
			29 10½	28 11	23 8½	120 0	60 0	88 11½	145 0	125 0	138 0	170 0	155 0	162 6	—	—

N.B.—Free quotations in 1917 and 1918 few and unrepresentative.

TABLE No. 29  
HOMEWARD FREIGHT AVERAGES, 1914-19

	1914	1915	1916	1917	1918	1919
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
Calcutta to U.K. or Cont.	22 0	67 10½	174 11½	325 0	280 0	175 0
Northern Range to U.K.	—	12 6	17 9	205 3	50 0	8 6
River Plate (lower ports) to U.K. or Cont. }	16 3¼	66 0¾	141 4¾	162 6	—	{ Cont. 195 0
Bilbao to Middlesbrough	4 9¾	13 11¾	20 4¼	40 0	—	{ U.K. 62 6
Bordeaux to Bristol Chan.	—	15 6	17 9	20 6	17 4	24 9
						20 0

TABLE No. 30  
HIGHEST AND LOWEST WELSH COAL FREIGHTS, 1914-19

From Cardiff to	1914		1915		1916		1917		1918		1919	
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
River Plate .	20 0	11 6	45 0	18 6	77 6	30 0	108 0	57 6	150 0	70 0	60 0	40 0
Alexandria .	20 7½	6 10½	72 6	20 0	112 6	60 0	140 0	85 0	—	—	72 6	42 6
Gibraltar .	10 6	3 10½	33 0	13 0	62 6	26 0	100 0	50 0	100 0	—	55 0	17 6
Havre .	13 0	3 6	22 0	8 6	36 0	19 0	<i>s. d.</i> 48 9 N 24 6 A 45 9	<i>s. d.</i> 48 9 N 24 6 A —	<i>s. d.</i> 48 9 N 24 6 A —	<i>s. d.</i> 48 9 N 24 6 A —	65 0	15 0

‘N’ and ‘A’ = Schedule rates for neutral and allied tonnage.

## OUTWARD CONFERENCE RATES OF FREIGHT FOR PIECE GOODS

To	Before the War	February 1915	February 1916	February 1917	February 1918	December 1918	February 1919	February 1921	February 1923
Australia (Melbourne)	57s. 6d.	75s.	90s.	120s.	200s.	150s.	125s.	125s. & 10%	100s. & 10%
China (Shanghai)	35s. & 10%	50s. & 10%	65s. & 10%	65s. & 10%	65s. & 10%	80s. & 10%	80s. & 10%	112s. 6d. & 10%	77s. 6d. & 10% less 5% & 10%
Japan	35s. & 10%	50s. & 10%	65s. & 10%	65s. & 10%	65s. & 10%	80s. & 10%	80s. & 10%	112s. 6d. & 10%	75s. & 10% less 5% & 10%
Bombay	20s. 6d. & 10% less 4s. 6d.	20s. 6d. & 10% less 4s. 6d.	45s. & 15% & 10% less rebate of 20% on rate and 15% surcharge	63s. 3d. & 10% from Manchester, less 20% on 63s. 3d.	107s. 6d. & 10% from Manchester, less 10% deferred rebate on 107s. 6d.	107s. 6d. & 10%	102s. 6d. & 10% from Manchester, less 10% deferred rebate on 102s. 6d.	No change	50s. & 10% less 10% rebate
Calcutta	32s. 6d. & 10% less 5s. 9d. per ton	32s. 6d. & 10% less 5s. 9d. per ton	40s. & 15% & 10% less rebate 5s. 9d. per ton	55s. 6d. net from Liverpool, less 5s. 9d. per ton	105s. & 10% from Liverpool, less rebate of 5% and 10% on 105s.	—	100s. & 10% from Liverpool, less rebate of 5% and 10% on 100s.	No change	60s. & 10% less 5% and 10% rebate
Rangoon	40s. & 10% less 10% on 40s.	45s. & 15% less 10% on 40s.	45s. & 15% less 10% on rate and surcharge	60s. & 10% from Liverpool, less 5% & 10% on 60s.	105s. & 10% less rebate 5% & 10% on 105s.	—	100s. & 10% less rebate 5% & 10% on 100s.	No change	65s. & 10% less 5% and 10%
Canada	35s. bales	42s. 6d. bales	52s. 6d. bales	52s. 6d. bales	52s. 6d. bales	45s. St. John	52s. 6d. bales	100s. bales	82s. 6d. bales *
Egypt (Alexandria)	32s. 6d. cases	45s. cases	47s. 6d. cases	47s. 6d. cases	47s. 6d. cases	42s. 6d. Halifax	47s. 6d. cases	92s. 6d. cases	75s. cases *
	27s. 6s. less 2s. 6d.	27s. 6d. less 2s. 6d.	50s. less 2s. 6d.	75s. less 5s.	155s. less 7s. 6d.	127s. 6d. less 7s. 6d.	100s. less 7s. 6d.	85s. less 7s. 6d.	62s. 6d. less 7s. 6d.
West Africa (Lagos)	47s. 6d. & 10%	2s. 6d. war surcharge 25%	52s. 6d. & 10%	52s. 6d. & 10%	105s. net	80s. net	80s. net	80s. net or 1% value	7s. 6d. deferred rebate
River Plate	45s. & 10% less 10% on 45s.	55s. & 10% war surcharge 25%	75s. & 10% & 25% less 10% on 75s.	75s. & 10% & 25% less 10% on 75s.	80s. & 10% from Manchester, and war surcharge 75% less rebate 10% on 80s.	—	70s. & 10% from Manchester, and war surcharge 75% less rebate 10% on 70s.	80s. & 10% from Manchester, and war surcharge 75% less rebate 10% on 80s.	107s. 6d. & 10% less 10% rebate on 107s. 6d.
South Africa (Cape Town)	47s. 6d. cargo	56s. 3d. war surcharge 15%	67s. 6d. & 15% cargo	80s. net cargo	120s. net cargo	90s. cargo	90s. cargo	90s. cargo	80s. cargo
	51s. 3d. mail		71s. 6d. + 15% mail	85s. net mail	125s. net mail	95s. mail	95s. mail	95s. mail	85s. mail

\* Rates to Canada on 5 March 1923 reduced to 72s. 6d. bales, 65s. cases.

TABLE No. 32  
TYPICAL HOMEWARD FREIGHT RATES AT END OF EACH QUARTER, JULY 1914-JANUARY 1918

Quarter ended	Alexandria to London or Hull	Australia to U.K.	Bombay to picked ports d.w.	Burmah o.c.	Calcutta to picked ports d.w.	River Plate to U.K.	U.S. Atlantic ports to Liverpool. Cotton	U.S. to U.K. and Continent. Grain per qr.	New Orleans to U.K. Cotton	New Orleans to U.K. Grain
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
July 1913	—	31 0	20 6	27 6	22 6	20 0	50 0	2 9	16 0	16 0
July 1914	—	17 0	14 6	—	17 6	12 6	30 9	2 6	9 6	9 6
Oct. "	8 6	—	20 9	30 0	30 0	28 0	43 9	2 9	16 6	16 6
Jan. 1915	25 0	—	42 0	47 0	48 6	67 6	150 0	7 6	160 0	10 0
April "	—	—	57 6	80 0	77 6	71 3	150 0	9 0	140 0	9 9
July "	20 0	—	55 0	—	68 9	60 0	—	8 0	—	—
Oct. "	31 0	95 0	60 0	—	75 0	87 6	—	12 6	—	—
Jan. 1916	60 0	110 0	140 0	170 0	160 0	142 6	270 0	18 6	—	20 0
April "	52 6	110 0	117 6	140 0	130 0	170 0	340 0	17 0	—	15 6
July "	40 0	110 0	95 0	140 0	140 0	167 6	340 0	13 0	145 0	14 6
Oct. "	78 0	120 0	160 0	165 0	200 0	120 0	250 0	—	280 0	280 0
Jan. 1917	100 0	95 0	—	272 6	—	130 0	—	—	—	—
April "	110 0	—	240 0	400 0	—	—	—	37 6	—	—
July "	105 0	—	410 0	350 0	—	160 0	220 0	—	230 0	230 0
Oct. "	105 0	—	250 0	600 0	800 0	230 0	180 0	—	—	—
Jan. 1918	120 0	—	250 0	600 0	900 0	220 0	250 0	—	—	—

Quotations for 1917 are few (chiefly neutrals) and unrepresentative. No real market in 1918.



TABLE No. 33  
OUTWARD COAL FREIGHTS 1914-18

Quarter ended	Cardiff to			
	Colombo	Port Said	River Plate	St. Vincent
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
July 1913 . .	12 9	8 9	19 3	9 9
July 1914 . .	10 6	7 0	15 0	—
Oct. „ . .	—	11 3	11 6	7 6
Jan. 1915 . .	—	32 6	27 0	26 0
April „ . .	30 0	30 0	25 0	17 6
July „ . .	—	22 6	27 3	18 0
Oct. „ . .	—	60 0	32 6	—
Jan. 1916 . .	75 0	90 0	40 6	—
April „ . .	75 0	110 0	60 0	47 6
July „ . .	75 0	80 0	37 6	41 3
Oct. „ . .	—	60 0	32 6	—
Jan. 1917 . .	—	80 0	70 0	42 6
April „ . .	—	—	92 6	—
July „ . .	—	160 0	108 0	—
Oct. „ . .	—	160 0	120 0	—
Jan. 1918 . .	—	160 0	130 0	—

TABLE No. 34

## WHEAT FREIGHTS AND BREAD PRICES

AVERAGE FREIGHTS AND AVERAGE IMPORT VALUES, NORTH AMERICAN WHEAT, AND AVERAGE PRICE OF THE QUARTERN LOAF, IN EACH OF THE MONTHS FROM AUGUST 1914 TO DECEMBER 1916

*The freight rates are taken from evidence given before a Committee of the American House of Representatives*

Month		Average freights New York-Liverpool		Average import values American wheat B. T. monthly returns		Average price of quartern loaf
		Per quarter	Wheat in the quartern loaf	Per quarter	Per quartern loaf	
		<i>Pence</i>	<i>Pence</i>	<i>s. d.</i>	<i>Pence</i>	<i>Pence</i>
1914.	August 1 . .	20.4	0.18	35 3	3.76	5.75
	September . .	22.4	0.20	36 9	3.94	6.00
	October . .	30.4	0.27	39 11	4.27	6.00
	November . .	51.6	0.46	42 5	4.54	6.25
	December . .	64.0	0.57	44 6	4.77	6.25
1915.	January . .	80.4	0.72	48 11	5.24	6.75
	February . .	92.4	0.82	55 7	5.96	7.25
	March . .	97.2	0.87	59 1	6.33	8.00
	April . .	95.2	0.85	61 2	6.55	8.00
	May . .	92.4	0.82	64 0	6.86	8.25
	June . .	94.0	0.84	59 6	6.37	8.50
	July . .	82.0	0.73	55 2	5.91	8.00
	August . .	82.0	0.73	52 9	5.65	8.00
	September . .	109.6	0.98	49 8	5.32	8.00
	October . .	114.4	1.38	50 1	5.37	7.75
	November . .	160.4	1.43	52 0	5.57	7.75
	December . .	160.8	1.44	53 8	5.75	8.00
1916.	January . .	172.4	1.54	57 4	6.14	8.25
	February . .	194.8	1.74	61 6	6.59	8.75
	March . .	202.8	1.81	62 8	6.72	9.00
	April . .	184.0	1.64	62 3	6.67	8.75
	May . .	160.0	1.43	59 2	6.34	8.75
	June . .	150.0	1.34	54 8	5.85	8.75
	July . .	98.0	0.87	52 3	5.60	8.25
	August . .	136.0	1.21	55 11	5.99	8.25
	September . .	112.0	1.00	65 7	7.02	9.00
	October . .	106.0	0.95	67 10	7.27	9.25
	November . .	96.0	0.86	71 3	7.63	9.50
	December . .	96.0	0.86	74 8	8.00	10.00

TABLE No. 35

## WHEAT FREIGHTS AND PRICES

*(First twelve months of war)**Average freights extracted from Corn Trade News  
Average prices as shown by Board of Trade Journal*

Source	Twelve months ending 31st July					
	1914			1915		
	Imports tons	Freight per ton	Amount	Imports tons	Freight per ton	Amount
		<i>s. d.</i>	<i>£</i>		<i>s. d.</i>	<i>£</i>
North America . . .	2,675,651	6 10	914,180	3,490,755	27 11	4,872,512
India . . . . .	644,540	13 11	448,492	697,265	37 5	1,304,466
Argentina . . . .	361,198	11 1	200,163	603,770	48 3	1,456,595
Russia, Roumania and Turkey . . .	503,785	7 11	199,414	—	—	—
Australia . . . .	716,308	26 1	934,183	—	—	—
	4,901,482		2,696,432	4,791,790		7,633,573
			<i>s. d.</i>			<i>s. d.</i>
Average freight per ton . . . . .	—	—	11 0	—	—	31 10
Average freight per qr. . . . .	—	—	2 4	—	—	6 9
Other countries . .	74,195	—	—	147,152	—	—
Total imports . .	4,975,677	—	—	4,938,942	—	—

	Per quarter
	<i>s. d.</i>
Average price of wheat 12 months to 31 July 1914 . . . . .	32 0
Average increase in freight, 1914-15 . . . . .	4 5
War risk insurance on cargo, at average State rate . . . . .	9
Average 1913-14 price plus extra freight and war risk . . . . .	37 2
Actual average price, 1914-15 . . . . .	48

TABLE No. 36

## PROVISION FREIGHTS AND PRICES

*Average freights, New York-Liverpool, in each of the months from August 1914 to December 1916, from evidence given before a Committee of the American House of Representatives, and average import values of bacon*

		Pence per lb. Average freights New York-Liverpool	Average import values. Bacon
1914.	August . . . . .	0.108	8.20
	September . . . . .	0.137	8.48
	October . . . . .	0.163	8.28
	November . . . . .	0.163	7.94
	December . . . . .	0.170	7.76
1915.	January . . . . .	0.190	7.57
	February . . . . .	0.270	7.30
	March . . . . .	0.326	7.00
	April . . . . .	0.326	7.15
	May . . . . .	0.326	7.22
	June . . . . .	0.326	7.58
	July . . . . .	0.326	7.77
	August . . . . .	0.326	7.76
	September . . . . .	0.351	7.95
	October . . . . .	0.450	8.52
	November . . . . .	0.450	8.66
	December . . . . .	0.460	8.57
1916.	January . . . . .	0.625	8.67
	February . . . . .	0.625	8.41
	March . . . . .	0.625	8.43
	April . . . . .	0.625	8.88
	May . . . . .	0.625	8.67
	June . . . . .	0.625	8.71
	July . . . . .	0.625	8.83
	August . . . . .	0.875	9.03
	September . . . . .	0.875	9.60
	October . . . . .	0.750	9.91
	November . . . . .	0.750	10.05
	December . . . . .	0.750	10.17



TABLE No. 37

## COTTON FREIGHTS AND PRICES

*(First twelve months of war)**Average spot price mid-Atlantic cotton and  
average Gulf port cotton freights*

	1913-14		1914-15	
	Price of cotton Pence per lb.	Freight Pence per lb.	Price of cotton Pence per lb.	Freight Pence per lb.
August . . .	6.60	0.25	6.86	0.16
September . . .	7.54	0.26	..	0.17
October . . .	7.69	0.23	..	0.23
November . . .	7.44	0.24	4.46	0.26
December . . .	7.15	0.22	4.41	0.29
January . . .	7.09	0.19	4.85	0.36
February . . .	7.04	0.18	5.01	0.42
March . . .	7.05	0.18	5.23	0.51
April . . .	7.32	0.17	5.64	0.57
May . . .	7.48	0.17	5.33	0.57
June . . .	7.71	0.16	5.32	0.58
July . . .	7.38	0.16	5.19	0.56
Average . . .	7.29	0.20	5.23	0.39

Average price, 1912-13, 6.78*d.*Average freight, 1912-13, 0.28*d.*

TABLE No. 38. AVERAGE IMPORT VALUES AS SHOWN BY BOARD OF TRADE RETURNS

Article	Six months ending							Remarks
	31 Jan. 1914	31 July 1914	31 Jan. 1915	31 July 1915	31 Jan. 1916	31 July 1916	31 Jan. 1917	
Wheat (per cwt.) . . .	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	{ See separate tables.  Freights fixed April 1915, increase about 4s. 8d. per cwt. Supplies plentiful. Supplies restricted from Russia, Scandinavia, and Holland. Carried at Blue Book Rates. Freight increase about 3s. 1d. per cwt. Cane sugar substituted for Continental beet. Supplies restricted. Glut of supplies in 1915. Essential supplies maintained. Army demand. Supplies plentiful. Supplies restricted in 1915. Afterwards recover. Big military demand. Trade at first disorganized. Growing munitions demand. Parity Rate fixed March 1916. Great munitions demand. Supplies plentiful in first 12 months. Growing munitions demand. Demand reduced by restrictions on export of tin plate. Supplies adequate. Supplies restricted; but at end of 1916 about three-quarters of increase attributable to freights. (Low proportion of value to bulk.)
Wheat meal and flour (per cwt.) . . .	8 0	8 1	9 7	13 10	12 5	13 11	16 1	
Beef, frozen (per cwt.) . . .	10 8	10 3	12 6	16 5	16 0	18 1	16 9	
Mutton, frozen (per cwt.) . . .	33 3	35 7	51 10	57 11	61 8	62 9	62 11	
Bacon (per cwt.) . . .	39 3	41 10	48 7	57 6	64 1	72 2	79 4	
Butter (per cwt.) . . .	72 3	68 0	75 7	74 4	84 9	87 5	101 1	
Eggs (per great 100) . . .	118 10	120 7	131 10	137 10	144 0	163 3	198 1	
Sugar, refined (per cwt.) . . .	9 8	8 4	12 0	10 7	13 5	11 11	10 11	
Sugar, unrefined (per cwt.) . . .	13 2	12 11	24 7	23 6	26 1	29 11	33 4	
Cotton (per cental) . . .	10 0	10 0	20 4	20 2	18 8	21 8	23 7	
Wool (per lb.) . . .	66 4	64 2	45 10	45 10	61 5	70 8	92 11	
Silk (per lb.) . . .	10	10	11	11	11	1 2	1 5	
Flax (per ton) . . .	12 10	13 2	12 5	11 11	12 9	17 5	18 5	
Oilseeds, cotton (per ton)	923 8	877 4	1,368 10	1,379 6	1,476 4	1,775 1	1,725 3	
Oilseeds, flax, or linseed (per qr.) . . .	156 3	134 3	139 2	154 6	215 11	263 0	322 2	
Iron ore (per ton) . . .	44 5	45 9	47 11	51 1	57 5	73 4	82 4	
Copper ore (per ton)	18 10	18 1	18 1	22 5	25 7	33 11	35 2	
Copper (per ton) . . .	224 5	234 6	250 1	378 8	502 6	585 7	627 6	
Tin ore (per ton) . . .	1,253 0	1,148 7	1,066 5	1,407 8	1,513 11	2,101 6	2,301 3	
Tin (per ton)	1,910 9	1,895 5	1,725 11	1,720 4	1,622 7	1,922 3	1,922 0	
Rubber (per cental)	3,636 4	3,207 9	2,873 9	3,355 8	3,192 11	3,782 3	3,545 1	
Timber, hewn (per load) . . .	183 2	211 2	209 3	212 11	242 10	272 4	407 8	
Timber, sawn (per load) . . .	90 4	100 0	101 0	156 7	161 3	203 1	206 11	
	63 1	61 10	68 5	91 1	98 11	153 8	152 9	

Supplies restricted; but at end of 1916 about three-quarters of increase attributable to freights. (Low proportion of value to bulk.)

TABLE No. 39

## FREIGHT AND PRICE INDEX NUMBERS, 1920-2

*Chamber of Shipping index of tramp freights and time charter rates*  
*Board of Trade index number of wholesale prices*  
*Labour Gazette index number of retail prices*  
*Average of 1920=100*

	1920				1921				1922			
	Freights	T/C rate	Whole-sale prices	Retail prices	Freights	T/C rate	Whole-sale prices	Retail prices	Freights	T/C rate	Whole-sale prices	Retail prices
January .	123	149	97	94	46	60	80	111	33	30	55	80
February .	133	149	102	96	38	42	73	105	34	30	54	79
March .	141	134	104	96	37	40	69	101	33	30	53	78
April .	127	120	106	97	39	36	67	97	31	28	53	76
May .	121	105	106	101	40	37	65	95	33	27	53	76
June .	112	112	105	104	43	36	64	91	30	26	53	75
July .	95	94	103	105	43	35	63	91	28	25	53	77
August .	84	81	102	106	40	35	62	93	28	25	52	76
September	84	78	101	109	35	34	61	92	27	25	51	75
October .	93	84	98	110	30	30	59	88	28	24	50	74
November	80	81	93	115	29	30	56	85	30	25	51	75
December	58	60	86	112	33	30	55	83	31	24	51	75

TABLE No. 40  
BLUE BOOK MONTHLY RATES OF HIRE

A. OCEAN PASSENGER LINERS

I. ARMED MERCHANT CRUISERS

*Net Charter—Requisition for 3 months certain.*

Original schedule			Subsequently agreed		
Speed knots	Per ton gross		Speed knots	Per ton gross	
	First 3 months	After 3 months		First 3 months	After 3 months
	<i>s. d.</i>	<i>s. d.</i>		<i>s. d.</i>	<i>s. d.</i>
22 and over . . .	25 0	24 0	17 and under 18 . .	20 0	19 0
21 and under 22 . .	24 0	23 0	16 „ 17 . .	17 0	16 0
20 „ 21 . .	23 0	22 0	15 „ 16 . .	15 0	14 0
19 „ 20 . .	22 0	21 0	14 „ 15 . .	14 0	13 0
18 „ 19 . .	21 0	20 0			
under 18 . . .	20 0	19 0			

By agreement of 28 October 1915 these rates were reduced by 30 per cent. for vessels of 17 knots and over, and by 20 per cent. for vessels under 17 knots; such reductions to take effect from 1 October 1915 or completion of one year's service, whichever was later.

II. TROOP SHIPS

*Gross charter*

Speed knots	Per ton gross		
	First 2 months	After 2 months	
	<i>s. d.</i>	<i>s. d.</i>	
15 and under 17 . . .	17 6	17 0	Special terms to be arranged if period on hire less than one month.
14 „ 15 . . .	16 6	16 0	
13 „ 14 . . .	15 6	15 0	
12 „ 13 . . .	14 6	14 0	
under 12 . . .	13 6	13 0	



TABLE No. 40—(continued)

## III. HOSPITAL SHIPS

*Gross charter—requisition for three months certain*

Speed knots	Per ton gross		
	First 3 months	After 3 months	
	<i>s. d.</i>	<i>s. d.</i>	
14 and over . . .	17 6	17 0	Lower rate to apply to whole period of employment if over 6 months.
under 14 . . .	16 6	16 0	

## B. OCEAN CARGO LINERS

*Gross charter—requisition for one month certain*

Speed knots	Per ton gross		
	First 2 months	After 2 months	
	<i>s. d.</i>	<i>s. d.</i>	
13 and over . . .	15 3	14 9	Vessels of 3,000 tons and under 4,000 6 <i>d.</i> extra.
12 and under 13 . . .	14 3	13 9	Vessels of 2,000 tons and under 3,000 1 <i>s.</i> extra.
11 „ 12 . . .	13 3	12 9	Vessels under 2,000 tons 1 <i>s.</i> 6 <i>d.</i> extra.
10 „ 11 . . .	12 9	12 3	Special terms for shelter-deck accommodation not included in gross tonnage.
under 10 . . .	12 3	11 9	Supply ships on net charter to have equivalent net charter rates.

TABLE No. 40—(continued)  
C. COASTING AND CHANNEL STEAMERS

Speed knots	Per ton gross			
	Passenger and cargo ships		Cargo ships only	
	First 2 months	After 2 months	First month	After 1 month
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
15 and under 16 . . . .	20 0	19 6	} 16 3	15 9
14   "   15 . . . .	18 9	18 3		
13   "   14 . . . .	17 6	17 0		
12   "   13 . . . .	16 3	15 9	15 3	14 9
11   "   12 . . . .	} 15 0	14 6	14 3	13 9
10   "   11 . . . .			13 9	13 3
under 10 . . . .			13 3	12 6

Cargo-ships under 2,000 tons gross, 6*d.* extra.

Special terms for cargo-ships with shelter-deck accommodation not included in gross tonnage.

Special terms to be arranged if period of engagement less than one month.

Equivalent rates for ships on net charter.

#### D. OIL TANKERS

*Gross Charter—Requisition for four months certain.*

Tons deadweight capacity	Per ton d.w. capacity	
	Original scale	From 1st March 1915
	<i>s. d.</i>	<i>s. d.</i>
10,001 and over . . . .	} 8 9	9 3
9,001-10,000 . . . .		9 6
8,001-9,000 . . . .		9 9
7,001-8,000 . . . .		9 9
6,001-7,000 . . . .		10 0
5,001-6,000 . . . .		10 3
4,001-5,000 . . . .	} 9 0	10 6
4,000 and under .. . .		11 0

TABLE No. 40—(continued)

## E. TRAMPS

*Gross charter—requisition for one month certain***I. Vessels of 1,300 tons deadweight capacity and over**

Tons deadweight capacity	Per ton gross				
	Original schedule			From 1 Jan. 1915	From 1 March 1918
	First month	Second month	After 2 months		
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>
7,000 and over . . .	} 9 6	9 0	8 6	11 0	13 6
5,000 and under 7,000 . . .		9 0	8 6	11 0	14 0
4,000 " 5,000 . . .		9 6	9 0	11 6	15 0
3,000 " 4,000 . . .		10 0	9 6	12 0	16 6
2,200 " 3,000 . . .		10 6	10 0	12 6	17 0
1,800 " 2,200 . . .	11 6	11 0	10 6	13 0	17 0
1,300 " 1,800 . . .	12 0	11 6	11 0	13 6	17 6

Special terms for shelter-deck accommodation not included in gross tonnage.

From 1 January 1915; vessels employed within French coasting limits, 3*d.* extra.From 1 January 1915; vessels employed in Fleet service in home waters, 6*d.* extra.

Rates from 1 January 1915 fixed by agreement of March 1915.

Rates from 1 March 1918 fixed by agreement of May 1918.

Equivalent rates arranged for vessels on net charter.

**II. Vessels under 1,300 tons deadweight**

Tons	Per ton gross			
	To 31 Dec. 1914	From 1 Jan. 1915	From 1 March 1918	
	<i>s. d.</i>	<i>s. d.</i>	<i>s. d.</i>	
901 gross—1,300 d.w. . .	13 6	15 6	20 0	Self-trimmers 6 <i>d.</i> extra.
751—900 gross . . .	14 0	16 0	21 6	Vessels with double der-
601—750 „ . . .	15 0	17 6	23 0	ricks and winches—6 <i>d.</i>
451—600 „ . . .	16 0	18 6	25 0	extra to 31 Dec. 1914;
				afterwards 9 <i>d.</i> extra.
301—450 „ . . .	17 0	19 6	29 0	Equivalent terms arranged
111—300 „ . . .	—	—	30 0	for vessels on net charter.
110 and under . . .	Special terms arranged			

TABLE No. 40—(continued)  
F. COLLIERS, 1,300–4,000 TONS D.W.

Tons deadweight capacity	Per ton gross To 31 December 1914		
	First month	After first month	
	<i>s. d.</i>	<i>s. d.</i>	
3,000 and under 4,000 . . .	12 6	10 6	Special rate for first month applies only to ships requisitioned and ready prior to 1st Sept. 1914. After first month 6 <i>d.</i> extra for self-trimmers; 6 <i>d.</i> extra for double derricks and winches.
2,200 „ 3,000 . . .	13 6	11 0	
1,800 „ 2,200 . . .	13 6	11 6	
1,300 „ 1,800 . . .	13 6	12 0	

From 1 January 1915 the tramp scale applied to colliers with the following additions:  
 Self-trimmers . . . . . 6*d.* extra  
 Double derricks and winches . . . . . 9*d.* „  
 Fleet attendance in foreign waters . . . . . 3*d.* „

TABLE No. 41  
STATE INSURANCE SCHEME  
(a) *Hull premiums*

Period		Single voyage	Round voyage	Time 91 days
		Per cent.	Per cent.	Per cent.
1914.	4th–12th August . . . . .	1½	2½	—
	13th–31st August . . . . .	1½	2½	2½
	1st September–16th December . . . . .	1	2	2
	17th December–19th September 1916 . . . . .	¾	1½	1½
1916.	20th September–18th March 1917 . . . . .	1	2	2
1917.	18th March–22nd April . . . . .	1½	3	3
	23rd April–19th August . . . . .	2½	5	5
	20th August–25th November . . . . .	According to voyage		9
	26th November–10th November 1918 . . . . .	„	„	7



TABLE No. 41—(continued)

(b) *Typical differential rates*

20th August 1917–10th November 1918

	Aug. 1917	Dec. 1917	March 1918
	Per cent.	Per cent.	Per cent.
E. coast Great Britain–France (not S. of Brest).	2	2	1
W. coast Great Britain–France (not S. of Brest)	3	2½	1
E. coast Great Britain–France, Bay ports .	5	4	3
W. coast Great Britain–France, Bay ports .	5½	4½	3
U.K.–Spain (Atlantic) . . . . .	7	5	5
U.K. or France (Atlantic)–Italy (W. coast) .	10	9	5½
U.K. or France (Atlantic)–S. America (E. coast)	8	5	3½
U.K. or France (Atlantic)–N. America . . .	9	5	3
Italy (W. coast)–N. America . . . . .	9	8	5
U.K. or France (Atlantic)–Eastern Ports via Cape or Panama . . . . .	8	6	3½
U.K. or France (Atlantic)–Eastern ports via Suez	10	9	6
Italy (W. coast)–Eastern Ports via Suez . .	10	7	4
Three months' policy in trade U.K.–Norway .	25	20	20

(c) *Statement of results**Hulls of British Merchant Ships only*

	Premiums	Losses	Balance
	£1,000	£1,000	£1,000
Hulls of British steamers . . . . .	78,930	62,800	+ 16,130
Hulls of British steamers trading to Holland .	403	620	– 217
Hulls of British sailing vessels . . . . .	42	133	– 91
Hulls of British coasting vessels . . . . .	133	72	+ 61
Hulls of British steamers in French coal trade .	735	581	+ 154
Total . . . . .	80,243	64,206	+ 16,037

TABLE No. 42  
PRICES OF BRITISH BUNKER COALS

Class of Coal	Average prices 1914	Highest and lowest prices									
		1915	1916	1917	1918	1919	1920	1921	1922	1923 (to Sept.)	
		s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	
Durham Bunkers (Tyne Special)	12 8½	{ 30 0 12 6 25 0 }	42 6 22 6 39 0	26 6 20 0 24 0	75 0 25 0 65 0	100 0 32 0 90 0	120 0 33 6 115 0	60 0 26 0 52 0	25 0 19 6 23 0	36 0 23 0 33 0	
Durham Bunkers (Tyne Ordinary)	12 0½	{ 10 3 10 3 23 6 }	18 0 34 0 24 0	16 0 21 6 13 0	24 0 28 6 21 6	31 0 85 0 28 6	32 0 97 6 35 0	24 0 55 0 18 6	19 0 23 0 16 0	20 0 32 6 17 6	
Cardiff Bunkers (Small, Class I)	9 6	{ 10 0 10 0 24 0 }	14 6 40 0 15 6	13 0 25 0 16 6	21 6 35 6 23 6	28 6 80 0 35 6	35 0 110 0 50 0	55 0 50 0 20 0	23 0 24 0 18 0	32 6 17 6 34 0	
Cardiff Bunkers (No. 2, Through)	13 0	{ 12 0 12 0 26 3 }	42 6 20 6 28 0	35 0 24 0 27 6	70 0 30 0 60 0	80 0 37 0 60 0	80 0 37 0 80 0	53 0 26 0 50 0	28 0 23 6 30 0	32 6 24 0 32 0	
South Derbyshire (Steam, hard)	—	{ 21 0 14 6 21 0 }	28 0 21 0 40 0	27 6 32 6 24 0	60 0 25 0 30 0	60 0 32 0 70 0	80 0 32 0 72 6	50 0 27 0 26 0	30 0 22 0 25 0	32 0 25 0 26 0	
Yorkshire Nuts (Doubles)	12 7½	{ 26 0 13 9 30 0 }	24 0 50 0 23 0	26 0 33 6 27 0	70 0 30 0 31 0	37 0 110 0 48 0	97 6 142 0 73 0	75 0 60 0 28 0	28 6 30 0 26 6	32 0 33 0 26 0	
Scotch Navigation (f. o. b. Glasgow)	16 1½	{ 16 6 16 6 — }	23 0 26 0 21 6	27 0 27 6 23 0	65 0 27 6 27 6	37 0 47 6 34 6	50 0 47 6 37 6	60 0 47 6 24 0	30 0 26 6 20 0	33 0 28 0 20 0	
Scotch Navigation (f. o. b. Fife ports)	13 3	{ 16 6 16 6 — }	23 0 26 0 21 6	27 0 27 6 23 0	65 0 27 6 27 6	37 0 47 6 34 6	50 0 47 6 37 6	60 0 47 6 24 0	30 0 26 6 20 0	33 0 28 0 20 0	
Best Lancashire Steam	—	—	21 6	23 0	27 6	34 6	37 6	24 0	20 0	20 0	

N.B.—In 1919 and 1920 the lowest prices are mostly those fixed for bunkers in the coasting trade.

TABLE No. 43  
HIGHEST AND LOWEST FUEL OIL PRICES

	1914	1915	1916	1917	1918	1919	1920	1921	1922	1923 (to Sept.)
Heavy	$\begin{matrix} s. & d. \\ \{ 62 & 0 \\ 45 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 106 & 0 \\ 50 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 160 & 0 \\ 140 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 225 & 0 \\ 180 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 170 & 0 \\ 190 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 130 & 0 \\ 150 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ \{ 260 & 0 \\ 197 & 6 \end{matrix}$	$\begin{matrix} s. & d. \\ 160 & 0 \\ 75 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 75 & 0 \\ 60 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 70 & 0 \\ 60 & 0 \end{matrix}$
Light	$\begin{matrix} s. & d. \\ \{ 70 & 0 \\ 55 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 119 & 0 \\ 60 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 180 & 0 \\ 145 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 330 & 0 \\ 200 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 190 & 0 \\ 190 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 150 & 0 \\ 150 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ \{ 300 & 0 \\ 225 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 220 & 0 \\ 105 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 105 & 0 \\ 80 & 0 \end{matrix}$	$\begin{matrix} s. & d. \\ 85 & 0 \\ 80 & 0 \end{matrix}$

TABLE No. 44

## RUNNING COSTS, 1913-14 AND 1920

*Based on average of voyage accounts analysed by Chamber of Shipping*

(A)

Average increase per cent.		
	Coasting and home trade	Foreign trade
Bunker coal . . . . .	339	483
<sup>1</sup> Provisions . . . . .	—	286
Deck and engine-room stores . . . . .	164	326
Crew's wages and overtime . . . . .	184	234
Port disbursements . . . . .	103	190
<sup>2</sup> Insurance . . . . .	147	314
<sup>3</sup> Repairs . . . . .	193	358
<sup>4</sup> Total running costs . . . . .	149	285

N.B.—The figures are influenced, of course, by increased length of voyages and time taken in turn-round, as well as by actual rise in prices.

<sup>1</sup> The crews of steamers in the coasting and home trade are on weekly articles and provide their own food.

<sup>2</sup> Including protecting and indemnity club calls.

<sup>3</sup> Running repairs and provision for periodical repairs and surveys.

<sup>4</sup> Exclusive of depreciation and management.



(B)

*Actual figures for two typical steamers*

Steamer of 1,254 tons d.w.

Rotterdam Trade

Insurable value 1914	.	.	.	£	24,000
" " 1920	.	.	.		68,550

	Jan. 1914	Jan. 1920	Increase	Increase per cent.
	£	£	£	
Bunker coal . . . . .	44	376	332	754
Deck and engine-room stores . . . . .	3	10	7	233
Crew's wages and overtime . . . . .	47	117	70	149
Port disbursements . . . . .	307	406	99	32
Insurance . . . . .	19	50	31	163
Repairs . . . . .	20	60	40	200
Total . . . . .	440	1,019	579	132

Steamer of 6,633 tons d.w.

Trade — Cardiff—Algiers—New Orleans—Rotterdam

Insurable value 1913	.	.	.	£	38,000
" " 1920	.	.	.		113,500

	July- Sept. 1913	Autumn 1920	Increase	Increase per cent.
	£	£	£	
Bunker coal . . . . .	759	4,988	4,229	556
Provisions . . . . .	174	690	516	297
Deck and engine-room stores . . . . .	184	600	416	226
Crew's wages and overtime . . . . .	589	2,000	1,411	240
Port disbursements . . . . .	1,708	4,265	2,557	150
Insurance . . . . .	652	3,055	2,403	369
Repairs . . . . .	178	808	630	354
Total . . . . .	4,244	16,406	12,162	287

TABLE No. 45  
PASSENGER LINE EARNINGS, FROM *Fairplay*

Year	No. of s.s.	Tons gross	Paid-up capital	Debentures	Sundry creditors and loans	Book value of fleets	Sundry debtors, investments, cash, &c.	Dividend paid	Per cent.
1911	921	4,399,806	22,611,740	16,310,809	£ 11,780,307	£ 46,146,335	£ 15,401,555	£ 1,372,124	6.06
1912	884	4,182,828	22,165,124	14,406,272	13,391,364	46,739,492	13,987,154	1,736,861	7.79
1913	920	4,794,398	27,067,236	18,369,916	14,438,145	56,780,878	19,111,746	2,808,030	10.37
1914	966	5,106,495	30,222,875	17,884,007	15,597,376	60,047,934	18,127,448	2,605,182	8.26
1915	895	5,046,845	31,459,709	19,135,265	20,270,898	57,287,224	29,459,766	2,560,283	8.14
1916	869	4,908,021	32,519,904	19,069,636	29,654,008	62,872,792	42,170,479	3,858,846	11.87
1917	925	4,884,243	37,789,577	17,649,355	43,812,032	81,445,855	43,582,948	5,327,349	14.09
1918	1,021	5,266,386	40,447,437	17,178,608	56,560,074	97,923,044	54,579,141	5,071,809	12.54
1919	646	3,602,910	33,791,883	15,913,724	64,346,186	88,494,822	57,703,378	4,383,983	12.97
1920	714	4,204,168	37,206,376	14,836,380	66,675,951	109,919,845	42,691,277	4,906,431	13.18
1921	866	5,187,280	48,281,957	13,808,107	93,325,154	132,149,680	53,497,538	4,335,842	8.98
1922	887	5,005,593	52,461,377	19,908,649	73,316,716	128,882,786	43,766,845	3,875,931	7.39
1923	833	5,197,884	55,928,856	26,639,670	63,531,957	132,057,389	42,316,983	3,954,938	7.07
Average : 1906-23	852	4,412,701	31,882,525	16,538,669	—	71,655,824	—	2,854,593	8.95 <sup>1</sup>

N.B. Several companies during and after the war include investments with book values.

<sup>1</sup> Average, 1915-23, 10.35.

TABLE No. 46  
CARGO BOAT EARNINGS, FROM *Fairplay*

Year	No. of s.s.	Tons gross	Paid-up capital	Debentures loans, &c.	Book value of steamers	Profit from voyages	Dividend on capital	Per cent.	Trans- ferred to deprecia- tion, &c.	Deprecia- tion at 5 per cent.	Profit on voyages less depreciation at 5 per cent. as percentage of book values
Average: 1904-13	503	1,636,014	£ 9,342,535	£ 4,780,429	£ 14,071,373	£ 1,594,484	£ 447,462	4.78	£ 740,415	£ 853,434	5.27 Average: 1904-14 6.48
1911	535	1,833,360	9,883,584	6,261,588	15,717,739	1,471,541	370,061	3.73	506,040	943,088	3.36
1912	561	1,981,209	10,559,843	6,058,067	16,477,354	2,869,516	720,558	6.82	1,463,919	1,011,028	5.88
1913	598	2,121,427	10,994,108	5,490,388	16,682,965	5,505,850	1,377,615	12.56	3,344,643	1,073,665	26.50
1914	569	2,067,403	10,842,026	4,677,571	15,587,708	3,828,093	1,126,069	10.38	1,944,463	1,003,349	18.10
1915	585	2,338,868	14,107,510	6,356,310	17,619,870	4,742,103	1,613,673	11.43	2,221,089	1,085,437	20.75
1916	499	1,952,503	14,822,359	8,351,803	16,012,855	10,966,863	2,743,102	18.50	3,345,577	967,623	62.44
1917	427	1,740,431	13,566,695	14,505,003	25,773,962	5,793,772	2,610,662	19.24	2,493,662	957,051	18.76
1918	431	1,461,473	12,798,871	9,984,371	23,048,026	2,574,488	1,554,832	12.15	711,201	823,461	7.59
1919	324	1,077,736	14,215,650	9,315,519	24,681,243	3,338,675	1,772,808	12.47	853,128	731,634	10.56
1920	362	1,176,292	20,737,584	12,620,615	35,264,416	6,337,198	2,380,660	11.48	1,968,725	1,623,465	13.37
1921	337	1,169,383	21,788,179	12,355,469	35,925,440	4,236,492	1,771,326	8.13	1,800,560	1,608,819	7.37
1922	367	1,413,838	28,211,560	14,176,383	43,763,283	2,679,456	1,633,353	5.79	1,005,790	1,900,611	1.96
1923	416	1,667,168	27,857,908	13,891,884	44,682,875	2,483,418	1,341,715	4.81	866,770	2,095,764	0.87
Average: 1904-23	467	1,621,261	13,618,685	7,701,961	21,153,670	3,146,270	1,151,141	8.45 <sup>1</sup>	1,230,756	1,067,027	9.83 <sup>2</sup>

N.B.—In war years and after, many companies include investments with book values and interest from investments with profit from voyages.  
<sup>1</sup> Average, 1915-23, 10.36.  
<sup>2</sup> Average, 1915-23, 11.38.

TABLE No. 47

CARGO-BOAT COMPANIES INCLUDED IN *Fairplay* TABLES*Analysis of dividends*

Year	No. of companies	Passed dividend	Dividend per cent.					
			Under 5	5 and under 10	10 and under 20	20 and under 25	25 and under 50	50 and over
1912	100	15	11	42	29	1	2	—
1913	98	7	—	21	52	9	9	—
1914	87	2	6	24	47	6	2	—
1915	82	2	2	21	37	13	7	—
1916	79	1	—	1	20	32	22	3
1917	70	1	—	3	21	17	27	1
1918	50	1	2	4	25	11	7	—
1919	43	2	1	3	27	3	7	—
1920	67	—	1	5	46	10	5	—
1921	64	11	5	26	14	7	1	—
1922	64	31	4	16	8	4	1	—
1923	71	42	8	12	6	2	1	—

TABLE No. 48

CARGO-BOAT COMPANIES INCLUDED IN *Fairplay* TABLE*Size of fleets*

Year	No. of companies	No. of steamers	Average No. of steamers	Companies owning					
				1 ship	2-5 ships	6-9 ships	10-19 ships	20 s.s. or over	not stated
1912	100	561	5.6	25	37	19	15	4	
1913	98	598	6.1	19	—	—	16	3	
1914	87	569	6.8	21	38	7	18	3	
1915	82	585	7.1	10	41	9	20	2	
1916	79	499	6.3	16	37	7	17	2	
1917	70	427	6.1	10	37	7	12	3	1
1918	50	431	8.6	5	26	4	13	2	
1919	43	324	7.5	6	20	3	12	1	1
1920	67	362	5.4	18	35	5	8	1	
1921	64	337	5.3	18	33	3	7	3	
1922	64	367	5.8	18	31	5	7	3	
1923	71	416	5.9	16	38	5	9	3	



TABLE No. 49

## PRICE OF NEW READY 7,500-TON CARGO STEAMER

The single-deck cargo steamer of 7,500 tons deadweight capacity is taken as a popular type affording the best index to fluctuations of values over a series of years. Except during the war and immediately after, when sales of British vessels to foreigners were restricted, the prices are world market prices. The figures for the war period refer to free British steamers, subject, of course, to the restrictions imposed on free ships.

Year	Quarter	Price	Price per ton d.w.	Remarks
		£	£ s. d.	
1898	Sept.	55,500	7 8 0	High price due to Spanish-American war and restriction of output by engineers' strike in 1897.
1900	Dec.	60,630	8 1 8	Highest point 1898-1913. South African war boom.
1908	June	36,000	4 16 0	Lowest point 1898-1913.
1912	Dec.	58,000	7 14 6	Boom in freights.
1913	Dec.	48,000	6 8 0	
1914	June	42,500	5 13 4	Situation just before outbreak of war.
1914	Dec.	60,000	8 0 0	
1915	June	82,500	11 0 0	
"	Sept.	93,750	12 10 0	} Effect of shortage of tonnage caused by requisitioning, &c. Great boom in freights.
"	Dec.	125,000	16 13 4	
1916	March	160,000	21 6 8	
"	June	180,000	24 0 0	
"	Dec.	187,500	25 0 0	Highest point reached during war.
1917	Dec.	165,000	22 0 0	Price affected by universal requisition.
1918	June	180,000	24 0 0	Rise reflects demand of liner companies for replenishment of services.
"	Dec.	169,000	22 10 8	Prices weaken on announcement of sale of standard s.s.
1919	June	195,000	26 0 0	} Rising freights and effect of reduction of Excess Profits Duty to 40 per cent. and anticipation of its removal.
"	Dec.	232,500	31 0 0	
1920	March	258,750	34 10 0	
"	June	180,000	24 0 0	Increase of Excess Profits Duty to 60 per cent. and imposition of Corporation tax.
"	Dec.	105,000	14 0 0	Prices reflecting slump in freights.
1921	March	82,500	11 0 0	
"	June	63,750	8 10 0	Coal strike, slump in freights, vessels being laid up.
"	Sept.	60,000	8 0 0	Low freights. Anticipations of sales by mortgagees.
1922	March	66,000	8 16 0	
"	June	62,000	8 5 6	
"	Dec.	65,625	8 15 0	
1923	June	62,500	8 6 8	
"	Dec.	60,000	8 0 0	



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